Post Hearing Information Pack of

北京城建设计发展集团股份有限公司

BEIJING URBAN CONSTRUCTION DESIGN & DEVELOPMENT GROUP CO., LIMITED

(A joint stock company incorporated in the People's Republic of China with limited liability)

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北京城建设计发展集团股份有限公司
BEIJING URBAN CONSTRUCTION DESIGN & DEVELOPMENT GROUP CO., LIMITED

(A joint stock company incorporated in the People's Republic of China with limited liability)

[REDACTED]

Number of [REDACTED] under the [REDACTED]	**:**	**[REDACTED] H Shares (comprising [REDACTED] New Shares to be offered by the Company and [REDACTED] Sale Shares to be offered by the Selling Shareholders, subject to the Over-allotment Option)**
Number of [REDACTED]	**:**	**[REDACTED] H Shares (subject to adjustment)**
Number of [REDACTED]	**:**	**[REDACTED] H Shares (subject to adjustment and the Over-allotment Option)**
Maximum [REDACTED]	**:**	**HK$[REDACTED] per H Share, plus the brokerage of 1%, SFC transaction levy of 0.003% and Hong Kong Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars, subject to refund)**
Nominal Value	**:**	**RMB1.00 per H Share**
Stock Code	**:**	**[REDACTED]**

Joint Sponsors

UBS

中信証券國際
CITIC Securities International

Joint Global Coordinators

[REDACTED]

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A copy of this **[REDACTED]***, having attached thereto the documents specified in "Appendix VII — Documents Delivered to the Registrar of Companies and Available for Inspection" to this* **[REDACTED]***, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this* **[REDACTED]** *or any of the other documents referred to above.*

The **[REDACTED]** *is expected to be fixed by agreement between us (on behalf of ourselves and the Selling Shareholders) and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) on the* **[REDACTED]***, which is expected to be on or around* **[REDACTED]** *(Hong Kong Time) and, in any event, not later than* **[REDACTED]** *(Hong Kong Time). Unless otherwise announced, the* **[REDACTED]** *will not be more than HK$***[REDACTED]** *per* **[REDACTED]** *and is currently expected to be not less than HK$***[REDACTED]** *per* **[REDACTED]***. Investors applying for* **[REDACTED]** *must pay, on application, the maximum* **[REDACTED]** *of HK$***[REDACTED]** *per* **[REDACTED]***, unless otherwise announced, together with brokerage of 1%, SFC transaction levy of 0.003% and Hong Kong Stock Exchange trading fee of 0.005% subject to refund if the* **[REDACTED]** *finally determined is lower than HK$***[REDACTED]** *per* **[REDACTED]***.* ***The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may, with our consent (on behalf of ourselves and the Selling Shareholders), reduce the number of [REDACTED] and/or the indicative [REDACTED] range stated in this [REDACTED] at any time prior to the morning of the last day for the lodging of applications under the [REDACTED]. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day for lodging applications under the [REDACTED], cause to publish announcements in relation to the reduction in the South China Morning Post (English) and the Hong Kong Economic Times (Chinese) and on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the website of our Company (www.bjucd.com). Further details are set out in the sections headed "Structure of the Global Offering" and "How to Apply for the Hong Kong Offer Shares".***

If, for whatever reason, we (on behalf of ourselves and the Selling Shareholders) and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) fail to agree on the [REDACTED] by [REDACTED] (Hong Kong Time), the [REDACTED] (including the [REDACTED]) will not proceed and will lapse.

We are incorporated, and substantially all of our businesses are located, in China. Potential investors should be aware of the differences in the legal, economic and financial systems between China and Hong Kong, and that there are different risk factors relating to investment in companies incorporated in China. Potential investors should also be aware of that the regulatory framework in China is different from the regulatory framework in Hong Kong, and should take into consideration the different market nature of our H Shares. Such differences and risk factors are set forth in the sections headed "Risk Factors", "Summary of Laws and Regulations in China", "Appendix IV — Summary of Principal Legal and Regulatory Provisions" and "Appendix V — Summary of the Articles of Association" to this **[REDACTED]***.*

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If certain reasons arise at or prior to 8:00 a.m. (Hong Kong time) on the day **[REDACTED]***, the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and the Joint Sponsors may terminate the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe, and to procure subscribers to subscribe for, the* **[REDACTED]***. Further details of the reasons are set out in "Underwriting" in this* **[REDACTED]***. You are advised to read carefully that section for other details.*

EXPECTED TIMETABLE [1]

[**REDACTED**]

EXPECTED TIMETABLE [1]

[**REDACTED**]

CONTENTS

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Any information or representation not made in this [**REDACTED**] *must not be relied on by you as having been authorised by us, the Selling Shareholders, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners and the Joint Lead Managers, any Underwriters, any of our directors or any respective directors of them, associates or consultants or any other person or authorised party involved in the* [**REDACTED**]. *Information contained in the website of the Company (**www.bjucd.com**) does not constitute part of this* [**REDACTED**].

CONTENTS

This summary aims to give you an overview of the information contained in this [**REDACTED**]. *As it is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by, and should be read in conjunction with, the full text of this* [**REDACTED**]. *You should read the whole document before you decide to invest in the* [**REDACTED**].

There are risks associated with any investment. Some of the particular risks in investing in the [**REDACTED**] *are set out in the section entitled "Risk Factors" in this* [**REDACTED**]. *You should read that section carefully before you decide to invest in the* [**REDACTED**].

OVERVIEW

We are a leading design, survey and consultancy company in the PRC urban rail transit industry. We are engaged in design, survey and consultancy services and construction contracting services. We provide design, survey and consultancy services for urban rail transit, which is the focus of our core business, and we have also extended our business to the provision of design, survey and consultancy services for urban rail transit related industrial and civil construction and municipal engineering projects. Our construction contracting business is focused on the provision of construction contracting services for urban rail transit. Our integrated business segments enable us to provide comprehensive business solutions covering all major stages in the value chain of urban rail transit engineering.

We have the longest operating history in the PRC urban rail transit industry, which can be traced back to 1958 when we were founded to provide design and survey services for Beijing Subway Line 1, China's first subway line. According to CCID Consulting, as at 31 December 2013, we ranked first in urban rail transit lines general design services in China in terms of the total length in operation, and we also ranked first in terms of total new contract value in the design, survey and consultancy sector in the PRC urban rail transit industry for 2013. In addition, we hold integrated class A qualifications in design and survey, which, according to MOHURD, are the highest levels of qualification in design and survey in China.

We have a broad business network in China. Our headquarters is in Beijing, and we have branches and project departments in other 29 cities in China. Our marketing team comprises 71 sales persons located in the marketing departments of our headquarters in Beijing and various branches across China.

Design, survey and consultancy

Design, survey and consultancy has historically been our core business, which comprises the provision of such services primarily relating to engineering for urban rail transit and to a lesser extent, to industrial and civil construction as well as municipal engineering projects. We provide design, survey and consultancy services through five professional design departments, each with its own expertise. In addition, five of our subsidiaries also provide specialised design, survey and consultancy services, including exploration and survey services, engineering quality inspection service, technical consultancy and construction drawing review services.

We obtain new contracts for these services either through a competitive tendering process or by directly entering into agreements with our clients on a negotiation basis. We typically receive payments from our clients in accordance with pre-determined work schedules, usually when specified progress milestones are reached.

During the Track Record Period, approximately 34.1%, 46.9% and 52.1%, respectively, of our revenue for the three years ended 31 December 2011, 2012 and 2013 was derived from our design, survey and consultancy business. Within the design, survey and consultancy segment, services provided for urban rail transit engineering (including subway, light rail, tram and maglev train) contributed the most significant component – approximately 71.9%, 68.7% and 72.9% of our revenue for this segment during the Track Record Period. We had undertaken design, survey and consultancy services in 29 cities in China as at 31 December 2013. We have played a key role or participated in the compilation and formulation of a number of national and industry urban rail transit technological specification standards.

Construction contracting

Our construction contracting business focuses on construction projects in the urban rail transit industry. We provide our services through two business models: (i) under PC (Procurement-Construction) contracting, we are responsible for general procurement and execution of the construction project according to the plan and schedule of the owner; and (ii) under EPC (Engineering, Procurement and Construction) contracting, we have overall responsibility for the entire project or certain stage(s) of the project. A majority of our construction contracting projects during the Track Record Period were conducted through PC contracting. We win new PC and EPC contracts through tendering procedures. We typically receive payments from our clients when specified progress milestones are reached.

As at 31 December 2013, we had participated in construction contracting projects for 29 urban rail transit lines in China, which included 61 stations and 69 tunnels. We have undertaken construction contracting projects in major PRC cities including Beijing, Guangzhou, Shenzhen, Tianjin, Hangzhou and Dalian.

SUMMARY CONSOLIDATED FINANCIAL INFORMATION

The following tables present summary consolidated financial information for 2011, 2012 and 2013. The information set forth below is extracted from the Accountants' Report set out in Appendix I to this [**REDACTED**]. You should read the summary financial information set forth below in conjunction with the Accountants' Report and its accompanying notes.

Selected Line Items of the Consolidated Statements of Comprehensive Income

The following table summarises our consolidated operating results for the periods indicated:

	Year ended 31 December		
	2011	2012	2013
	(RMB'000)	(RMB'000)	(RMB'000)
Revenue	3,409,655	2,693,540	2,923,485
Gross profit	446,196	447,841	586,702
Profit before tax	202,681	231,048	310,318
Profit for the year	162,609	198,048	236,266
Profit attributable to:			
Owners of the parent	157,643	194,423	235,563
Non-controlling interests	4,966	3,625	703
Profit for the year	162,609	198,048	236,266

We experienced fluctuations in our results of operations during the Track Record Period. These fluctuations were due to factors including (i) a greater percentage of completion of the projects in our design, survey and consultancy segment in 2013; (ii) a slowdown in the growth of investment in Beijing urban rail transit related projects from the Beijing municipal government in 2012; and (iii) our strategy to optimise cost control and selectively bid for more profitable projects. Please refer to "Financial Information — Operating Results" starting on page 250 in this [**REDACTED**] for more details. Please also refer to "Risk Factors — Risks Relating to Our Business and Our Industry — Our business relies heavily on investment by the PRC government in the PRC urban rail transit industry and is subject to the changes in the development of the PRC economy" starting on page 35.

Revenue by Segment

The following table sets out a breakdown by business segments of our revenue generated before and after inter-segment elimination, and their percentage of contribution to total revenue for the periods indicated:

	Year ended 31 December					
	2011		2012		2013	
	(RMB'000)	% of revenue	(RMB'000)	% of revenue	(RMB'000)	% of revenue
Design, survey and consultancy ..	1,164,947	34.1	1,269,882	46.9	1,526,188	52.1
Construction contracting	2,255,312	65.9	1,435,256	53.1	1,401,367	47.9
Sub-total	3,420,259	100.0	2,705,138	100.0	2,927,555	100.0
Inter-segment elimination (1)	(10,604)		(11,598)		(4,070)	
Total (1)	3,409,655		2,693,540		2,923,485	

Note:

(1) Inter-segment elimination is mainly derived from inter-segment services provided to our construction contracting segment by our design, survey and consultancy segment. The total represents the total revenue of each operating segment after inter-segment elimination (*i.e.*, excluding the effects of inter-segment transactions).

Beijing and Non-Beijing Generated Revenues

The following table sets forth a breakdown of the Group's revenue by region for the periods indicated:

	Year ended 31 December					
	2011		2012		2013	
	(RMB'000)	% of revenue	(RMB'000)	% of revenue	(RMB'000)	% of revenue
Beijing	2,372,631	69.6	1,547,182	57.4	1,528,986	52.3
Non-Beijing	1,037,024	30.4	1,146,358	42.6	1,394,499	47.7
Total	3,409,655	100.0	2,693,540	100.0	2,923,485	100.0

Gross Profit and Gross Margin by Segment

The following table sets out a breakdown by business segment of our gross profit and gross margin for the periods indicated:

	Year ended 31 December								
	2011			2012			2013		
	Gross Profit (RMB'000)	% of total gross profit (%)	Gross margin (%)	Gross Profit (RMB'000)	% of total gross profit (%)	Gross margin (%)	Gross Profit (RMB'000)	% of total gross profit (%)	Gross margin (%)
Design, survey and consultancy	373,422	83.7	32.1	408,877	85.5	32.2	505,407	85.9	33.1
Construction contracting	72,923	16.3	3.2	69,142	14.5	4.8	82,724	14.1	5.9
Sub-total	446,345			478,019			588,131		
Inter-segment elimination(1)	(149)			(178)			(1,429)		
Total	446,196	100.0	13.1(1)	477,841	100.0	17.7(1)	586,702	100.0	20.1(1)

Note:

(1) The aggregate of total gross margin is calculated by dividing the total gross profit by operating revenue (*i.e.*, the total revenue generated after inter-segment elimination). Inter-segment elimination is mainly derived from the inter-segment services provided to our construction contracting segment by our survey, design and consultancy segment.

Summary Consolidated Statements of Financial Position

The table below summarises the information of our consolidated statements of financial position as at the dates indicated:

	As at 31 December		
	2011	2012	2013
	(RMB'000)	(RMB'000)	(RMB'000)
Non-Current Assets	381,865	459,997	441,484
Current Assets	4,408,070	4,323,415	4,783,788
Current liabilities	4,138,790	4,018,672	3,586,252
Non-current liabilities	109,885	83,476	80,453
Total Equity	541,260	681,264	1,558,567

Key Cash Flow Items and Working Capital

The table below summarises the information of our condensed consolidated cash flow statement for the periods indicated:

	Year ended 31 December		
	2011	2012	2013
	(RMB'000)	(RMB'000)	(RMB'000)
Net cash flows from/(used in) operating activities	(431,880)	(217,458)	587,104
Net cash flows from/(used in) investing activities	267,412	572,238	(25,969)
Net cash flows from/(used in) financing activities	234,518	(242,609)	479,575
Net increase in cash and cash equivalents	70,050	112,171	1,040,710

During the Track Record Period, we mainly relied on cash generated from operating activities, cash generated from investing activities, and capital injection from the Strategic Investors to meet our working capital requirements. We recorded negative cash flow from operating activities for the years ended 31 December 2011 and 2012. This was primarily due to factors including delays in progress billing and delays in settlement of trade receivables as a result of the temporary capital constraints of a number of our customers due to relatively unfavourable macroeconomic environment. However, due to our strong liquidity position and available financing facilities, our Directors believe that our working capital is sufficient to meet our current requirements and for the next 12 months. Please refer to "Financial Information — Liquidity and Capital Resources" starting on page 259 of this [**REDACTED**] for further details.

Key Financial Ratios

The table below sets out certain key financial ratios which reflected our financial positions and results of operations as at the respective dates or for the periods indicated:

	As at/Year ended 31 December		
	2011	2012	2013
Current ratio(1)	1.07	1.08	1.33
Quick ratio(2)	1.06	1.07	1.33
Gearing ratio(3)(%)	68.7%	32.5%	0.0%
Net debt-to-equity ratio(4)(%)	0.1%	Net cash	Net cash
Return on equity(5)	35.1%	32.7%	21.1%
Return on assets(6)	3.6%	4.1%	4.7%

Notes:

(1) Current ratio represents a ratio of current assets to current liabilities as at the reporting date.

(2) Quick ratio represents current assets (excluding inventory) divided by current liabilities as at the reporting date.

(3) Gearing ratio represents total interest bearing borrowings as at the reporting date divided by total equity as at the same reporting date.

(4) Net debt-to-equity ratio is our total interest bearing borrowings less cash and cash equivalents and pledged deposits as a percentage of total equity at the end of each financial period.

(5) Return on equity is our net profit attributable to our equity owners divided by average value of beginning and ending balances of equity attributable to our equity owners for each financial period.

(6) Return on assets is our net profit attributable to our equity owners divided by total average value of beginning and ending balances of assets for each financial period.

Please refer to "Financial Information — Analysis on Key Financial Ratios" starting on page 275 of this [**REDACTED**] for more details.

Key Operating Statistics – New Contract Value and Backlog

As at 31 December 2011, 2012 and 2013, our backlog (which is the total estimated value of uncompleted contracts as at a certain date, net of applicable value added tax) was approximately RMB7,006.20 million, RMB6,941.50 million, and RMB8,219.09 million, respectively.

For the three years ended 31 December 2011, 2012 and 2013, our new contract value (which represents the aggregate monetary value of the contracts we have entered into during a specified period) was approximately RMB1,762.43 million, RMB2,937.62 million, and RMB4,237.94 million, respectively.

COMPETITIVE STRENGTHS

Our competitive strengths are mainly demonstrated in the following aspects:

- we are a leading design, survey and consultancy company in the PRC urban rail transit industry, with the longest operating history;

- we expect to benefit from future growth in the PRC urban rail transit industry on account of our leading industry position;

- we provide comprehensive business solutions for all major stages in the value chain of urban rail transit engineering;

- we are the pioneer of new technologies employed in the PRC urban rail transit industry, which we are able to integrate with our leading project execution capabilities;

- we are well positioned to benefit from the growth in the markets at home and abroad due to our extensive network; and

- we have an experienced senior management team supported by a pool of professionals with diverse experience.

BUSINESS STRATEGIES AND FUTURE PLANS

Our overall strategies are to further expand our design, survey and consultancy businesses, strengthen our general contracting businesses and develop high value-added new businesses. Taking advantage of our leading market position in design and consultancy services, we aim to become a comprehensive solution provider in the urban rail transit engineering industry. To achieve such strategy, we plan to:

- continue to expand our design, survey and consultancy business in order to maintain our leading position in PRC urban rail transit industry;
- supplement and enhance the construction contracting segment's profitability by leveraging our strength in the design, survey and consultancy segment and further improve integration of the two business segments;
- enhance technical innovation and further commercialise technologies;
- further diversify our businesses and expand our presence in overseas markets; and
- optimise our management system, expand our talent pool and enhance our operating efficiency and effectiveness.

COMPETITION AND MAJOR CLIENTS

Our competitors in the PRC urban rail transit industry are mainly design institutes and construction subsidiaries of State-owned enterprises, as well as regional urban rail transit construction companies. Please refer to "Business — Market and Competition" starting on page 132 in this [**REDACTED**].

Our major clients are municipal government-affiliated entities across China, who are the owners of urban rail transit projects, such as Rail Transit Company, Dalian Metro Construction Project Leading Group Office (大連市地鐵建設項目領導小組辦公室) and Zhengzhou Metro Co., Ltd. (鄭州市軌道交通有限公司).

For the three years ended 31 December 2011, 2012 and 2013, revenue derived from the five largest clients accounted for 71.9%, 62.4% and 53.9% of our total revenue for the corresponding period, respectively. During the Track Record Period, Rail Transit Company was our largest client; and for the three years ended 31 December 2011, 2012 and 2013, revenue derived from Rail Transit Company accounted for 59.6%, 45.3% and 38.1% of our total revenue for the corresponding period, respectively. Please refer to "Business — Major Clients" starting on page 133 in this [**REDACTED**] for more details.

SUPPLIERS AND SUBCONTRACTORS

In the construction contracting segment, we are usually responsible for the procurement of all or a portion of the raw materials, including steel, cement and waterproofing materials. In the design, survey and consultancy segment, we are generally not responsible for purchasing raw materials.

In the design, survey and consultancy segment, under the general design contracting model — to ensure the progress of projects or enhance the overall profitability of projects and when the contract permits — we subcontract certain labour work or appoint specialised design subcontractors to provide services that are normally not provided by us. In the construction contracting segment, we normally procure services from subcontractors to undertake construction and non-core engineering. In a project, subcontractors are usually selected through a tendering process or appointed by the project owner. In the tendering process, we select subcontractors based on criteria which usually include experience in business, professional qualifications, historical performance and market position. We are typically liable for all work products in the contract (including the achievements of subcontractors) to the project owner. Please refer to "Business — Suppliers and Subcontractors" starting on page 134 in this [**REDACTED**] for more details.

[REDACTED] STATISTICS

The statistics in the following table are based on the assumptions that (i) the [**REDACTED**] is completed and [**REDACTED**] H Shares are newly issued in the [**REDACTED**] (including the H Shares which will be converted from Domestic Shares of the Selling Shareholders and sold for the benefit of the NSSF pursuant to the relevant PRC regulations relating to reduction of State-owned shares), (ii) the Over-allotment Option for the [**REDACTED**] is not exercised, and (iii) [**REDACTED**] Shares are issued and outstanding following the completion of the [**REDACTED**]:

	Based on an [REDACTED] of HK$[REDACTED]	Based on an [REDACTED] of HK$[REDACTED]
Market capitalisation of the Company	HK$[**REDACTED**] million	HK$[**REDACTED**] million
Unaudited pro forma adjusted net tangible asset value per Share	HK$[**REDACTED**]	HK$[**REDACTED**]

LISTING EXPENSES

We incur listing expenses in connection with the H Share Listing, which include professional fees, underwriting commission and other fees and expenses. Total expenses in relation to the H Share Listing are estimated to be approximately RMB61.77 million. Listing expenses of approximately RMB7.58 million are expected to be charged to our statement of comprehensive income and RMB54.19 million are expected to be accounted for as a deduction from equity. Listing expenses of approximately RMB7.71 million had been incurred as at 31 December 2013, and approximately RMB54.06 million are expected to be incurred after 31 December 2013.

USE OF PROCEEDS

We estimate that the net proceeds of the [**REDACTED**] accruing to us (after deduction of underwriting fees, commissions and other estimated expenses payable by us in relation to the [**REDACTED**], assuming an [**REDACTED**] of HK$[**REDACTED**]) to be approximately

HK$[**REDACTED**] million, assuming the Over-allotment Option is not exercised. We intend to apply these net proceeds for the following purposes, assuming the Over-allotment Option is not exercised:

Approximate amount of net proceeds	Intended application
HK$[**REDACTED**] million or 50%	supplementing capital needs for design, survey and consultancy projects and construction contracting projects
HK$[**REDACTED**] million or 25%	enhancing, through self-development, cooperation or acquisition, the design technology research capabilities and facilitating commercialisation of the technologies
HK$[**REDACTED**] million or 10%	improving our construction capabilities, *e.g.*, procuring equipment such as shield tunneling machines
HK$[**REDACTED**] million or 5%	building our information system
HK$[**REDACTED**] million or 10%	supplementing working capital for our general corporate purposes

We will not receive any of the proceeds from the sale of the Sale Shares by the Selling Shareholders in the [**REDACTED**]. Please refer to "Share Capital — Reduction of State-owned Shares" starting on page 230 in this [**REDACTED**].

DIVIDEND POLICY

We may declare and pay dividends in cash or by other means as we deem appropriate in the future. The payment of dividends shall be planned and determined by our Directors at their sole discretion subject to shareholders' approval. The decision to declare or pay any dividends and the amounts of any dividends will depend on factors including, but not limited to, our results of operations, cash flows, financial condition, distributable profits, the Articles of Association, the Company Law and any other applicable laws and regulations in the PRC and any other factors deemed to be relevant by our Directors.

For the two years ended 31 December 2011 and 2012, the dividends paid to the shareholders amounted to RMB36.26 million and RMB59.58 million, respectively. Pursuant to a subscription agreement dated 17 May 2013 entered into among our Company's predecessor, Beijing Urban Construction Design & Research Institute Co., Ltd., BUCG and the Strategic Investors, a special dividend in the amount of RMB40 million was declared and payable to BUCG. Pursuant to a resolution at the general meeting convened on 16 December 2013, all of our Shareholders prior to the completion of the [**REDACTED**] were entitled to a special dividend equivalent to 30% of the net profits generated but not allocated by our Company from 1 June 2013 (inclusive) to 31 December 2013 (inclusive), which was approximately RMB35.07 million. The two sums of special dividends had been paid prior to the date of this [**REDACTED**]. In the future, we expect to pay not less than 30% of our distributable net profit for the year as dividends. However, we cannot guarantee that we will be able to make any dividend distributions in the aforesaid proportion of net profit or at all every year or in any year. Please refer to "Financial Information — Dividend Policy" starting on page 280 of this [**REDACTED**].

INFORMATION OF OUR CONTROLLING SHAREHOLDER AND PRE-IPO INVESTORS

After our conversion into a joint stock limited company, BUCG directly owns 65% of the total issued share capital of the Company. Immediately after completion of the [**REDACTED**], assuming that the Over-allotment Option is not exercised, BUCG will own approximately [**REDACTED**]% of the total issued share capital of the Company (approximately [**REDACTED**] in the event that the Over-allotment Option is exercised in full) and will be our Controlling Shareholder.

BUCG is a limited liability company that is wholly State-owned and directly under the supervision of Beijing SASAC. In December 2012, BUCG transferred its urban rail transit construction contracting business and related assets to us to form our construction subcontracting business. For details about the Reorganisation, please refer to "History, Reorganisation and Corporate Structure — Corporate Structure and Business Segments — Reorganisation" starting on page 92 in this [**REDACTED**].

Pursuant to the Non-Competition Agreement entered into between BUCG and our Company, our design, survey and consultancy segment includes design, survey and consultancy business relating to urban rail transit, industrial and civil construction and municipal engineering. However, it does not include landscape design and related consultancy business, which is retained by BUCG. Our construction contracting business is focused on contracting business of urban rail transit and related projects, whereas BUCG is engaged in EPC contracting businesses other than urban rail transit. After obtaining all relevant licences upon completion of the Reorganisation, a total of 12 PC contracts entered into by BUCG had to be transferred to us. As at the Latest Practicable Date, the transfer formalities of all, except four, PC contracts had been completed. In addition, during the Track Record Period, BUCG guaranteed our obligations under certain guarantees that we provided to the relevant clients in connection with our design, survey and consultancy business and construction contracting business, in the amount of approximately RMB360.23 million and RMB843.40 million, respectively, as at 31 December 2013. Since such guarantees were provided by BUCG in favour of us and we did not provide any security for those guarantees, they are exempt from the requirements of reporting, announcement and independent shareholders' approval according to the Hong Kong Listing Rules. Please refer to "Relationship with BUCG and Rail Transit Design Institute" starting on page 176 and "Connected Transactions" starting on page 186 in this [**REDACTED**] for more details.

Seven Strategic Investors subscribed for our increased registered capital of RMB80,769,400 in May 2013. Please refer to "History, Reorganisation and Corporate Structure — Pre-IPO Investment" starting on page 88 in this [**REDACTED**] for more details. Among the Strategic Investors, the Company had related party transactions with BII, Rail Transit Company and Gonglian Company and their respective affiliates as from the date of their becoming related parties of the Company, *i.e.,* 24 May 2013. From 24 May 2013 to 31 December 2013, the Group's aggregate revenue from the aforesaid Strategic Investors as related parties was approximately RMB555.43 million.

RISK FACTORS

Our business is subject to numerous risks, as set out in "Risk Factors" in this [**REDACTED**]. Since different investors may apply different interpretations and criteria when determining the materiality of a risk, you should read the section headed "Risk Factors" starting on page 35 of this [**REDACTED**] in its entirety before you decide to invest in the [**REDACTED**]. The key risks we face include the following:

- our business relies heavily on investment by the PRC government in the PRC urban rail transit industry and is subject to changes in the development of the PRC economy;

- a significant portion of our revenue is derived from a wholly State-owned enterprise, Rail Transit Company, which exposes us to concentration risks;
- we rely on third parties, including subcontractors, to complete certain projects and are subject to risks arising from the non-performance, late performance or poor performance by such third parties;
- the actual costs related to the performance of our contracts and associated risks may exceed our original estimates, resulting in cost overruns, less income, lower profitability, less profit or even losses;
- we may experience delays or defaults in receiving our receivables, or delay in the release of bidding guarantees, prepayment guarantees, performance guarantees or retention monies from our clients; and
- we had negative net operating cash flows for the years ended 31 December 2011 and 2012. If we continue to have negative operating cash flows, we may become unable to meet our payment obligations and our business, financial position, results of operations and prospects may be materially and adversely affected.

HISTORICAL IRAN-RELATED BUSINESS

We historically had certain Iran Design Sub-contracts and Iran Agreements-to-Bid relating to Iran. For the three years ended 31 December 2011, 2012 and 2013, the total revenue we received from the Iran Design Sub-contracts amounted to approximately RMB3.09 million, RMB1.94 million and RMB0.50 million, respectively, accounting for approximately 0.09%, 0.07% and 0.02% of our total revenue during these periods, respectively. We have no outstanding obligations, duties or liabilities under the Iran Design Sub-contracts and Iran Agreements-to-Bid. For more details, please refer to "Business — Historical Iran-Related Business" starting on page 151 of this [**REDACTED**]. We have not been notified that any sanctions will be imposed on us in connection with these agreements. For risks relating to our historical business in Iran, please refer to "Risk Factors — Risks Relating to Our Business and Our Industry — We historically derived a de minimis amount of our revenue from services provided in Iran, including during the Track Record Period, and prior transactions conducted by us in Iran and other countries subject to sanctions could impact adversely on our business and, in certain circumstances, investors in our H Shares" starting on page 42 of this [**REDACTED**].

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Our Directors have determined that except as disclosed in this [**REDACTED**], as at the date of this [**REDACTED**], there has been no material adverse change in our financial position or prospects since 31 December 2013.

General business conditions in 2014 affecting our business and results of operation have been largely consistent with those experienced in the year ended 31 December 2013. We have secured a number of projects from 1 January 2014 up until 31 March 2014. Our new contract value for the period from 1 January 2014 until 31 March 2014 was RMB1,022.56 million. Our backlog since 31 December 2013 has also been largely in line with that of the previous year. As at 31 March 2014, our backlog was RMB8,527.56 million, RMB5,430.75 million of which was in relation to our design, survey and consultancy contracts and RMB3,096.81 million of which was in relation to our construction contracting contracts.

DEFINITIONS

In this [**REDACTED**], *unless the context requires otherwise, the following terms shall have the meanings set out below:*

"Agiletech"	Beijing Agiletech Engineering Consultants Co., Ltd. (北京安捷工程諮詢有限公司), a limited liability company incorporated in the PRC on 25 January 2007, the equity interest of which is owned by the Company as to 30%, Exploration Institute as to 21%, MAA Engineering Consultants International Ltd. as to 26% and Beijing Urban Rail Transport Advisory Co., Ltd. as to 23% and currently an Independent Third Party. Although the Company and Exploration Institute altogether hold 51% equity interests in Agiletech, it is not our subsidiary for reasons set out in "History, Reorganisation And Corporate Structure — Corporate Structure and Business Segments — Reorganisation — Immediately After the Global Offering" in this [**REDACTED**]
"Angola RED Development Project"	the project in Angola in connection with community construction and municipal facilities, for which we provided design and survey services
"Application Form(s)"	**WHITE** application form(s), **YELLOW** application form(s) and **GREEN** application form(s), or where the context so requires, any of them
"Articles of Association" or "Articles"	the articles of association of our Company, adopted by our Shareholders at the general meeting on 16 December 2013, which will become effective upon the H Share Listing, and as the same may be amended, supplemented or otherwise modified from time to time, a summary of which is set out in "Appendix V — Summary of Articles of Association" to this [**REDACTED**]
"Assets Transfer Agreement"	the assets transfer agreement dated 26 December 2012 entered into between BUCG and Beijing Urban Construction Design & Research Institute Co., Ltd., our predecessor, pursuant to which BUCG agreed to transfer to us its urban rail transit construction contracting business and related assets at nil consideration
"Beijing Rail Transit Line 7 Project"	the rail transit construction project in connection with Section 01 of Beijing Subway Line 7

"BII"	Beijing Infrastructure Investment Co., Ltd. (北京市基礎設施投資有限公司), one of our Shareholders, formerly known as Beijing Metro Group Co., Ltd., a limited liability company incorporated in the PRC on 10 February 1981, the equity interest of which is wholly-owned by the State-owned Assets Supervision and Administration Commission of the Beijing Municipal Government and currently an Independent Third Party
"Board" or "Board of Directors"	the board of Directors
"BUCG"	Beijing Urban Construction Group Co., Ltd. (北京城建集團有限責任公司), our Controlling Shareholder, a limited liability company incorporated in the PRC on 8 November 1993, the equity interest of which is wholly-owned by the Beijing Municipal Government
"business day"	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for business
"CAGR"	compound annual growth rate
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant or a CCASS Custodian Participant or a CCASS Investor Participant
"CCID Consulting"	CCID Consulting Company Limited, a joint stock limited company established in the PRC on 15 March 2002, currently listed on the Growth Enterprise Market of the Hong Kong Stock Exchange (Stock Code: 08235) and an Independent Third Party, which provides market research and market consulting services and with whom we have commissioned an industry report that forms the basis of "Industry Overview" in this [**REDACTED**]

"China Association of Metros"	China Association of Metros (中國城市軌道交通協會), a national non-profit social organisation with independent legal entity in the urban rail transit industry established on 14 October 2011 currently managed by the NDRC and a connected person of the Company by virtue of its being a substantial shareholder of China Metro, one of our subsidiaries, by holding a 40.03% equity interest in China Metro
"China Metro"	China Metro Engineering Consulting Corporation (中國地鐵工程諮詢有限責任公司), a limited liability company incorporated in the PRC on 27 October 2006, the equity interest of which is owned by the Company as to 56.22%, China Association of Metros as to 40.03% and Beijing Huaxie Transportation Consultation Company (北京華協交通咨詢公司) as to 3.75% and currently our subsidiary
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as the same may be amended, supplemented or otherwise modified from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Company" or "our Company"	Beijing Urban Construction Design & Development Group Co., Limited (北京城建設計發展集團股份有限公司), a joint stock company with limited liability incorporated in the PRC and converted from its predecessor, Beijing Urban Construction Design & Research Institute Co., Ltd. on 28 October 2013. For further details of the history and reorganisation of our Company, please refer to "History, Reorganisation and Corporate Structure" in this [**REDACTED**]
"Company Law"	the Company Law of the PRC (中華人民共和國公司法), as enacted and adopted by the Standing Committee of the Eighth National People's Congress on 29 December 1993 and effective on 1 July 1994, as the same may be amended, supplemented and otherwise modified from time to time
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)
"Director(s)"	director(s) of our Company

"Domestic Share(s)"	ordinary share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi and are unlisted Shares which are currently not listed or traded on any stock exchange
"Exploration Institute"	Beijing Urban Construction Exploration & Surveying Design Research Institute Co., Ltd. (北京城建勘測設計研究院有限責任公司), formerly known as the Exploration and Survey Office of Beijing Urban Construction Engineering Design Institute, a limited liability company incorporated in the PRC on 25 December 2000 and our wholly-owned subsidiary
"Fangshan Line Project"	the rail transit construction project in connection with the Beijing Fangshan Subway Line section 3

[**REDACTED**]

"Gonglian Company"	Beijing Gonglian Highway Connect Line Co., Ltd. (北京市公聯公路聯絡線有限責任公司), one of our Shareholders, a limited liability company incorporated in the PRC on 8 October 1998 the equity interest of which is wholly-owned by the Beijing Municipal Government and currently an Independent Third Party
"Green Application Form(s)"	the application form(s) to be completed by the White Form eIPO Service Provider, [**REDACTED**]
"Group", "us" or "we"	the Company and its subsidiaries
"H Share"	overseas listed foreign invested ordinary share(s) in the ordinary share capital of the Company, with a nominal value of RMB1.00 each, which are to be subscribed for and traded in Hong Kong dollars and for which an application has been made for the granting of listing and permission to deal in, on the Hong Kong Stock Exchange
"H Share Listing"	the listing of the H Shares on the Main Board of the Hong Kong Stock Exchange
"H Share Registrar"	[**REDACTED**]
"HKSCC"	Hong Kong Securities Clearing Company Limited

"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong at this time
"Hong Kong Listing Rules"	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as the same may be amended and supplemented or otherwise modified from time to time

[**REDACTED**]

"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Hong Kong Underwriters"	the underwriters listed in "Underwriting — Hong Kong Underwriters" in this [**REDACTED**], being the underwriters of the [**REDACTED**]
"Hong Kong Underwriting Agreement"	the underwriting agreement relating to the [**REDACTED**] entered into between, among others, us, the Hong Kong Underwriters and the Joint Bookrunners on or around [**REDACTED**], as further described in "Underwriting" in this [**REDACTED**]
"Huan'an Inspection"	Beijing Huan'an Engineering Inspection Co., Ltd. (北京環安工程檢測有限責任公司), a limited liability company incorporated in the PRC on 18 June 2008 and our wholly-owned subsidiary

"IFRSs"	the International Financial Reporting Standards, which include standards and interpretations promulgated by the International Accounting Standards Board, and the International Accounting Standards (IAS) and interpretation issued by the International Accounting Standards Committee (IASC)
"Independent Third Party(ies)"	an individual or a company which is independent of and not connected with (within the meaning of the Hong Kong Listing Rules) any of the Directors, Supervisors, chief executive or substantial shareholders of our Company and its subsidiaries, or any of their respective associates

[**REDACTED**]

"International Purchase Agreement"	the international purchase agreement relating to the [**REDACTED**] and to be entered into between, among others, us, the Selling Shareholders, the International Purchasers and the Joint Bookrunners on or around [**REDACTED**], as further described in "Underwriting" in this [**REDACTED**]
"International Purchasers"	the group of international purchasers expected to enter into the International Purchase Agreement
"Iran Agreements-to-Bid"	the 10 consortium bidding arrangements that the Company and its predecessors in different legal forms and names entered into during the period from 1996 to 2011 for the purpose of winning project bids in Iran, where the ultimate procuring entity was connected with Iran, or services were expected to be performed in or in relation to Iran
"Iran Design Subcontracts"	the 13 contracts which the Company and its predecessors in different legal forms and names entered into during the period from 1996 to 2011 in the capacity as a subcontractor providing survey, design and consultancy services in relation to Iran

"Joint Bookrunners"	[**REDACTED**]
"Joint Global Coordinators"	[**REDACTED**]
"Joint Lead Managers"	[**REDACTED**]
"Joint Sponsors"	UBS Securities Hong Kong Limited and CITIC Securities Corporate Finance (HK) Limited
"Land and Real Estate Transfer Agreement"	the land and real estate transfer agreement dated 26 December 2012 entered into between BUCG and Beijing Urban Construction Design & Research Institute Co., Ltd., our predecessor, pursuant to which BUCG agreed to transfer to us its properties located at No. 5, Fuchengmen North Street, Xicheng District, Beijing and the corresponding land use right at nil consideration
"Latest Practicable Date"	17 June 2014, being the latest practicable date for the purpose of ascertaining certain information of this [**REDACTED**] prior to its publication
"Listing Committee"	the Listing Committee of the Hong Kong Stock Exchange
"Listing Date"	the date, expected to be on or about Tuesday, 8 July 2014, on which our [**REDACTED**] are listed and from which dealings therein are permitted to take place on the Hong Kong Stock Exchange
"Mandatory Provisions"	the Mandatory Provisions for Articles of Association of Companies to be Listed Overseas (到境外上市公司章程必備條款), for inclusion in the articles of association of companies incorporated in the PRC to be listed overseas, promulgated by the former State Council Securities Committee and other PRC government departments on 27 August 1994 and became effective on the same date, as amended, supplemented or otherwise modified from time to time
"MOHURD"	Ministry of Housing and Urban-Rural Development of the PRC (中華人民共和國住房和城鄉建設部)

"National Bureau of Statistics"	National Bureau of Statistics of the PRC (中華人民共和國國家統計局)
"NDRC"	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
"New Shares"	the [**REDACTED**] H Shares to be [**REDACTED**] (assuming the Over-allotment Option is not exercised); and, where relevant, any additional H Shares which may be issued and offered by our Company pursuant to the exercise of the Over-allotment Option
"NSSF"	the National Council for Social Security Fund of the PRC (中華人民共和國全國社會保障基金理事會), an organisation authorised by the State Council which is responsible for the administration of the PRC's national social security funds
"OFAC"	The U.S. Department of Treasury's Office of Foreign Assets Control

[**REDACTED**]

"Over-allotment Option"	the option to be granted by us and the Selling Shareholders to the International Purchasers, exercisable by the Joint Global Coordinators on behalf of the International Purchasers, at any time from the date of the International Purchase Agreement until 30 days from the last day for lodging applications under the [**REDACTED**], to require us to allot and issue up to [**REDACTED**] additional H Shares and the Selling Shareholders to sell up to [**REDACTED**] additional H Shares to be converted from Domestic Shares both at the [**REDACTED**] to cover, among other things, over-allocations in the [**REDACTED**], if any, details of which are described in "Structure of the Global Offering" in this [**REDACTED**]

"Overseas Risk Control Committee"	the overseas risk control committee established under the Board for the purposes of, among other things, monitoring and controlling the Company's risk of being affected by laws on sanctions
"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC
"PRC", "China" or "People's Republic of China"	the People's Republic of China excluding, for the purpose of this [**REDACTED**], Hong Kong, Macau and Taiwan, unless otherwise specified
"PRC GAAP"	the generally accepted accounting principles of the PRC
"PRC government", "government", "State" or "state"	the government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local government entities) and their instrumentalities or, where the context requires, any of them
"Price Determination Date"	the date, expected to be on or around [**REDACTED**] and, in any event, not later than [**REDACTED**], on which the [**REDACTED**] is to be fixed by agreement between our Company (for itself and on behalf of the Selling Shareholders) and the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) to determine the [**REDACTED**]
"QIBs"	qualified institutional buyers within the meaning of Rule 144A of the U.S. Securities Act
"R&D"	research and development
"Rail Transit Company"	Beijing Rail Transit Construction and Management Co., Ltd. (北京市軌道交通建設管理有限公司), one of our Shareholders, a limited liability company incorporated in the PRC on 25 December 2002, the equity interest of which is wholly-owned by the Beijing Municipal Government and currently an Independent Third Party

"Rail Transit Design Institute"	Beijing Rail Transit Design & Research Institute Co., Ltd. (北京市軌道交通設計研究院有限公司), a limited liability company incorporated in the PRC on 15 November 2012, the equity interest of which is owned by the Company as to 40%, BUCG as to 10%, Rail Transit Company as to 30% and Beijing Urban Rail Transit Consulting Co., Ltd. as to 20%, currently an Independent Third Party
"Regulation S"	Regulation S under the U.S. Securities Act
"Reorganisation"	the reorganisation relating to the transfer of urban rail transit construction contracting business and the related assets by BUCG to our Company at nil consideration, the particulars of which are described in "History, Reorganisation and Corporate Structure — Corporate Structure and Business Segments — Reorganisation" in this [**REDACTED**]
"Reorganisation Agreements"	the Assets Transfer Agreement, the Land and Real Estate Transfer Agreement and the State-Owned Enterprise Property Right Transfer Agreement
"RMB" or "Renminbi"	the lawful currency of the PRC
"Rule 144A"	Rule 144A under the U.S. Securities Act
"SAFE"	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"Sale Shares"	the [**REDACTED**] H Shares converted from Domestic Shares initially to be sold by the Selling Shareholders in the [**REDACTED**] (assuming the Over-allotment Option is not exercised); and, where relevant, any additional H Shares to be converted from Domestic Shares which may be sold by the Selling Shareholders pursuant to the exercise of the Over-allotment Option. For more information, see "Share Capital — Reduction of State-owned Shares"
"Sanctioned Countries"	the countries against which the U.S. and certain other jurisdictions, including the European Union, United Nations and Australia, impose broad trade or economic sanctions, including, among others, Cuba, Iran, Sudan and Syria

DEFINITIONS

"SASAC"	Stated-owned Assets Supervision and Administration Commission of the State Council of the PRC (中華人民共和國國務院國有資產監督管理委員會)
"Selling Shareholders"	the state-owned Shareholders, collectively, who are required to reduce their shareholding pursuant to the relevant PRC regulations relating to reduction of state-owned shares as further listed out in the section headed "Information about This Prospectus and The Global Offering — Selling Shareholders"
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance
"Share(s)"	share(s) in the share capital of our Company, with a nominal value of RMB1.00 each, comprising the Domestic Shares and H Shares
"Shareholders"	holder(s) of our Shares
"Special Regulations"	Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies (國務院關於股份有限公司境外募集股份及上市的特別規定), promulgated by the State Council on 4 August 1994 and became effective on the same date, as amended, supplemented or otherwise modified from time to time
"Stabilising Manager"	[**REDACTED**]
"State Council"	State Council of the PRC (中華人民共和國國務院)
"State-Owned Enterprise Property Right Transfer Agreement"	the State-owned enterprise property right transfer agreement dated 28 December 2012 entered into between BUCG and Beijing Urban Construction Design & Research Institute Co., Ltd., our predecessor, pursuant to which BUCG agreed to transfer to us its 60% equity interest in Xinjie Consulting at nil consideration

"Strategic Investors"	BII, Beijing Jingguofa Equity Investment Fund (Limited Partnership) (北京京國發股權投資基金(有限合夥)), Rail Transit Company, Gonglian Company, Tianjin Jun Rui Qi Equity Investment Partnership (LLP) (天津君睿祺股權投資合夥企業(有限合夥)), Beijing You Neng Shang Zhuo Venture Capital Fund (LLP) (北京優能尚卓創業投資基金(有限合夥)) and Zhongtai Investment, the particulars of which can be referred to in "History, Reorganisation and Corporate Structure — Pre-IPO Investment — Information of Strategic Investors" in this [**REDACTED**]
"Supervisors"	the member(s) of the Supervisory Committee
"Supervisory Committee"	our supervisory committee established pursuant to the Company Law, as described in "Directors, Supervisors, Senior Management and Employees — Supervising Committee" in this [**REDACTED**]
"Taijie Consulting"	Beijing Urban Construction Taijie Engineering Consulting Co., Ltd. (北京城建太捷工程諮詢有限責任公司), a limited liability company incorporated in the PRC on 19 August 2013, the equity interest of which is owned by our Company as to 40%, Zhongtai Investment as to 30% and Taitong Construction Co., Ltd. as to 30%. It is also our subsidiary pursuant to the Agreement on Exercise of Voting Rights of Shareholders dated 18 July 2013 entered into between our Company, Zhongtai Investment and Taitong Construction Co., Ltd.
"Takeovers Code"	the Code on Takeovers and Mergers and Share Repurchases issued by the SFC, as the same may be amended, supplemented or otherwise modified from time to time
"Track Record Period"	the period comprising the financial years ended 31 December 2011, 2012 and 2013
"U.S." or "United States"	the United States of America
"U.S. Securities Act"	the U.S. Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
"US$" or "US dollars"	United States dollars, the lawful currency of the United States
"Underwriters"	the Hong Kong Underwriters and the International Purchasers

"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Purchase Agreement
"White Form eIPO Service Provider"	[**REDACTED**]
"White Form eIPO"	the application for [**REDACTED**] to be issued in the applicant's own name by submitting applications online through the designated website of the White Form eIPO Service Provider at **www.eipo.com.hk**
"Xinjie Consulting"	Beijing Urban Construction Xinjie Rail Transit Engineering Consulting Co., Ltd. (北京城建信捷軌道交通工程諮詢有限公司), a limited liability company incorporated in the PRC on 2 January 2004, the equity interest of which is owned by our Company as to 60% and Exploration Institute as to 40% and our indirectly wholly-owned subsidiary
"Xingjie Property"	Beijing Urban Construction Xingjie Property Management Co., Ltd. (北京城建興捷物業管理有限公司), a limited liability company incorporated in the PRC on 21 November 2011 and our wholly-owned subsidiary
"Yizhuang Line Project"	the rail transit construction project in connection with the Beijing Yizhuang Subway Line
"Zhongtai Investment"	Beijing Zhongtai Investment Management Co., Ltd (北京中太投資管理有限公司), one of our Shareholders, a limited liability company incorporated in the PRC on 22 February 2011, the equity interest of which is owned by Mr. Zhong Qiangnian as to 70% and Mr. Tang Jiuqing as to 30% and currently an Independent Third Party

In this [**REDACTED**]*, the terms "associate", "connected person", "connected transaction", "Controlling Shareholder", "subsidiary" and "substantial shareholder" shall have the meanings given to such terms in the Hong Kong Listing Rules, unless the context otherwise requires.*

Certain amounts and percentage figures included in this [**REDACTED**] *have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.*

Unless otherwise specified, all references to any shareholdings in our Company following the completion of the [**REDACTED**] *assume that the Over-allotment Option is not exercised.*

In this [**REDACTED**]*, should there be any discrepancy between the Chinese names of the entities or enterprises established in China and its English translation, the Chinese names shall prevail.*

This glossary contains explanations of certain technical terms used in this [**REDACTED**] *in connection with our Company and its business. Such terms and their meanings may not correspond to standard industry meaning or usage of these terms.*

"BOT"	Build-Operation-Transfer, a business model in which government or local authorities grant the rights to an enterprise by concession agreement to undertake the financing, design, construction, operation and maintenance of a construction project. Such enterprise has the responsibility to raise the finance for the project and is entitled to charge the users to receive reimbursement of its costs and receive reasonable investment return in the concession period. The ownership of the project will be transferred to the public administration when the concession period expires
"BT"	Build-Transfer, a project financing construction model, in which the contractor undertakes the financing of construction expenditures and transfers the project back to the proprietor upon completion and inspection for acceptance. The proprietor will compensate the contractor for such construction expenditure and financing costs in instalments pursuant to agreement
"Bus Rapid Transit"	a bus-based mass transit system operated by buses of large capacity and high performance operating along designated lanes
"Cold-water Integrated A/C & Ventilation System Without A Cooling Tower"	a type of energy-saving ventilating and air-conditioning system for metro without using the cooling tower
"Comprehensive Development above Depot"	multifunctional complex involving construction of industrial facilities, commercial development and municipal facilities through the integrated design and construction of property development and rail transit
"Construction Drawing Design"	a stage of design after the preliminary design, in which a designer demonstrates its intention and design mainly by drawing, serving as the basis of construction
"Construction Drawing Review"	the review conducted by construction drawing review institutions taking into account of public interests, public safety and mandatory standards for engineering construction in respect of construction drawing in accordance with relevant laws and regulations

"Consultancy"	a process of using multi-disciplinary knowledge and experience, modern science and technology and management methods to provide government authorities and investors with consultancy services in respect of the investment decisions and the implementation of a project
"Design supervision"	supervision and management conducted by entities entrusted by project owners on engineering projects on work progress and quality control in accordance with laws, administrative regulations and relevant technical standards
"Direct Evaporative Ventilating and Air-Conditioning System"	a type of energy-saving ventilating and air-conditioning system for metro, which supplies refrigerants to the terminal of the air conditioning system to lower the temperature and remove humidity from the air without water recycling system for the air conditioner
"Engineering design"	an activity involving the comprehensive analysis of the technical, economic, resource and environmental conditions required for construction projects and preparing the design documents according to the requirements of projects
"Engineering supervision"	supervision conducted with respect to contractors in terms of construction quality, construction work schedule and construction fund on behalf of project owners in accordance with laws, administrative regulations and relevant technical standards
"Engineering survey"	an activity of ascertaining, analysing and evaluating the geological and geographical features and geotechnical conditions of the construction sites and preparing the survey documents according to the requirements of a project
"EPC"	commissioned by the project owner for the general contracting of engineering, procurement and construction, in which an enterprise is in charge of the engineering, procurement, construction and trial operation in accordance with agreements and takes full responsibilities for the quality, safety, construction period and cost of the contracted projects. The project owner is responsible for financing the project. Compared with PC contracting, EPC contracting requires more comprehensive engineering capabilities as well as management capabilities from the contractor

"Express transport system"	an operating mode in which part of the vehicles in a rail transit route no longer stop at each station, but only stop at main stations on this route, in order to improve operating efficiency
"Feasibility study"	a comprehensive analysis conducted prior to the planned construction of the investing projects, argumentation and evaluation on the project-related issues in terms of markets, resources, engineering technologies, economics and societies in an attempt to ensure the feasibility of such projects or the work to choose the best implementation scheme
"General design services"	a type of design business model, under which a project owner commissions the overall design management work of a project to a general design company, who coordinates, manages, designs and monitors the project as a general manager or a general contractor. General design services include the following two different models: (1) general design management, under which the general design company plays a role as a general manager and the project owner may subcontract certain design work to other companies; and (2) general design contracting, under which the general design company plays a role as a general contractor and is fully responsible for the overall design work, including certain work subcontracted to other companies as required
"GFA"	gross floor area
"Ground contractor rails embedded system"	a power supply system for urban rail transit, which is not only applicable for enclosed and non-enclosed circuits but also for non-enclosed circuits of urban rail transit with a higher demand for landscape
"Integrated pipeline corridor"	public utilities with unified planning, design, construction and maintenance and various public utilities pipelines laid in the same group of structure and built in a city's underground, which is also known as the utility tunnel
"Integrated transport hub"	a complex which serves as a hub for multiple modes of transportation or transportation lines

"Intelligent Public Transit Hub"	an urban public transit hub, which centralises dispatching and unifies command for buses by using advanced computer network, data base, automatic vehicle identification, communication and digital image monitoring
"Light rail"	a medium capacity rail transport system using steel wheel and steel rail with the standard gauge of 1,435 mm and peak hour one-way transport capacity of around 10,000 to 30,000 people. It can adopt different forms of underground, ground or viaduct lines
"Maglev train"	an urban passenger transport system utilising the electrical magnetic levitation technology to float the train and adopting linear motor to drive the train under the normal temperature conditions
"Method for Controlling Deformation of Under-crossing Existing Metro without Clearance"	additional deformation and differential settlement caused by the construction of the under-crossing existing metro of subsurface excavation, which affects its structure and operation safety, for which deformation and internal force analysis are necessary so as to take the necessary protective measures
"Metro depot development"	the composite utilisation of high-quality land through high density development around a metro depot
"Multi-function integrated ventilation and air conditioning system for metro"	a modern ventilating and air-conditioning system for metro systems with the features of novelty, equipment integration, simplified equipment and control system, shortened station construction length, reduced construction cost, energy-saving operation measure, modularised innovative equipment and higher degree of automatic control on energy saving
"Municipal projects"	a general term for various public infrastructure projects supporting urban life such as common urban road, bridge, urban public transportation, urban rainwater drainage and urban sewage drainage, etc.
"Open-cut method"	a method for constructing tunnels by excavating foundation pits in the ground

"Overall design"	a comprehensive study and design conducted on the whole-line controlling scheme of the urban rail transit projects and significant technical standards based on the feasibility study report, the specific targets of which are to finalise external conditions, stabilize route station, determine function requirement, confirm operation scale, rationalise system, clarify interface, unify technical standards, allocate engineering works, planning reasonable work schedule, control the total amount of investment, and eventually form the overall design documents, serving as a basis of preliminary design of each system of rail transit project
"PC"	Procurement-Construction (being the general contracting of procurement and construction), under which the owner is in charge of design management and the contractor is in charge of equipment selection, procurement and construction of the project and take full responsibilities for the quality, safety, construction period and cost of the contracted projects in accordance with agreements under the contract
"PPP"	Public-Private-Partnership, a partner relationship based on franchise agreement and formed between government and private organisations for co-construction of urban infrastructure projects or providing certain public goods and services. The partners specify the rights and obligations of each other by entering a contract to ensure the completion of the cooperation and to enable the parties to achieve more favorable results collectively than if they were operating independently
"Prefabricated subway station"	a subway station assembled with concrete components prefabricated in the factory with certain technologies and assembly at the construction site as an alternative to construction of subway stations from traditional cast concrete structures
"Pre-feasibility study"	a further technical and economic assessment conducted with respect to the project plan and a preliminary judgment carried out as to the feasibility of the project based on the investment opportunities study

"Preliminary design"	a design stage following the feasibility study and overall design, the prime purpose of which is to summarise opinions on each specific research (evaluation), conduct a specific design on projects, determine design principles for each project, confirm major engineering schemes by selection, solve engineering technical problems; to put forward such information as the bill of quantity, the quantity of major equipments, the quantity of major materials, the area of land and number of relocation, the construction organisation design and the overall budget estimate; and to determine measures on environmental protection and water and soil maintenance. Upon being reviewed, modified and approved, the preliminary design documents shall serve as a basis of the control on construction scale and overall budget estimate, and should satisfy demands for the engineering bidding and contracting, land acquisition, building demolition, preparation of construction and major equipment purchases
"Rail damper"	a type of rail damper used in metro and light rail transit
"Section"	the general term for the engineering section for which a bid is provided separately by each engineering unit which is separated from the project or the engineering during the design or construction bid stages. Each bid section can only be implemented by the one company or the one consortium that wins the bid
"Shield tunneling machine"	tunnel shielding boring machine (or TBM), a dedicated engineering machinery used for tunneling. The machine finishes tunnel digging, propelling, lining assembly and grouting to form a tunnel structure under the protection of a steel shell throughout the construction
"Smart city"	an advanced city planning concept which utilises the new generation of information technologies (such as internet and cloud computing) in day to day aspects of life in the metropolitan environment
"Steel Spring Floating Slab Shock-absorbing Track Bed"	a construction technique which can achieve the effect of shock absorption and noise reduction in metro design

"Subsurface excavation construction"	a method used for tunnel construction using a method of digging the stratum inside the soil and forming the supporting structure instead of excavating the ground during the process of tunnel construction
"Subway"	a large capacity rail transport system using steel wheels and rails with a standard gauge of 1,435 mm, with one-way transport capacity of around 30,000 to 60,000 people at peak hours adoptable in different forms, such as underground, upground or elevated subways
"Surveying and mapping"	a work process to ascertain graphical and position information reflecting the ground's present condition from existing features and boundary lines underground through surveying, and application of such information to the planning, design and management of an engineering construction project by utilising computer technology, Electro-Optic technology, network communication technology, space science and information science, Global Positioning System (GPS), Remote Sensing and Geographic Information Systems
"Three-dimensional Aided Design System for Urban Rail Transit"	three-dimensional design computer technology applied to the rail transit industry, which can reduce occurrence of the space conflicts from route design and improve overall design quality and efficiency
"Top-down Bored Excavation with cast-in-situ Arch Construction Method"	a tunnel construction method for soft soil layers, used to form a complete and stable bearing structure system composed of crown, side piling, central cylinder and foundation slab in a subsurface excavation pilot hole
"Tram"	a low capacity rail transit system using steel wheels and steel rails with a standard gauge of 1,435 mm, with a one-way transport capacity of around 5,000 to 10,000 people at peak hours
"U-beam"	an elevated bridge structure with the shape of cross section similar to the letter "U", being classified as a through bridge structure. "U" shaped beams have advantages which include low structural height, efficient utilisation of cross section space and operational noise reduction

"Urban rail transit"	an urban public passenger transport system operated by dedicated rail guides, including subway, light rail, monorail, tram, maglev, automatic guide rail, city rapid rail transit
"Viaduct line"	rail transit lines on metal or reinforced concrete viaduct
"Vibration Damping Fastener"	a type of shock absorption and noise reduction measure used in rail structures, which can reduce the vibration and noise impact on the surrounding environment

This [**REDACTED**] includes certain forward-looking statements. All statements other than statements of historical facts contained in this [**REDACTED**], including, without limitation, those regarding our future financial position, strategies, plans, objectives, goals, targets and future developments in the markets where we participate or are seeking to participate, and any statements preceded by, followed by or that include the words "believe", "expect", "going forward", "estimate", "predict", "potential", "aim", "intend", "will", "may", "plan", "consider", "anticipate", "seek", "should", "could", "would", "continue", or similar expressions or the negative thereof, are forward-looking statements. These forward-looking statements are based on current plans and estimates, and apply only as at the date they are made. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. Important factors that could cause our actual performance or achievements to differ materially from those in the forward-looking statements include, among other things, the following:

- our ability to successfully implement our business plans and strategies;
- future developments, trends and conditions in the industry and markets in which we operate or into which we intend to expand;
- our business prospects;
- our capital expenditure plans;
- the actions and developments of our competitors;
- our financial condition, operating results and performance;
- our ability to reduce costs;
- fluctuation in our service fee and revenue;
- capital market developments;
- our dividend policy;
- certain statements in "Risk Factors", "Industry Overview", "Business", "Financial Information" and "Future Plans and Use of Proceeds" with respect to trends in prices, volumes, operations, margins, overall market trends, risk management, interest rates and exchange rates;
- general political and economic conditions;
- any changes in the laws, rules and regulations of the central and local governments in the PRC and other relevant jurisdictions and the rules, regulations and policies of the relevant governmental authorities relating to all aspects of our business and our business plans;

- changes in political, economic and social conditions in the PRC and in other relevant jurisdictions in which we have business or intend to have business and specifically, the PRC government's policies with respect to economic growth, inflation and foreign exchange;

- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices;

- various business opportunities that we may pursue; and

- changes in the global economic conditions and material volatility in the global financial markets.

Additional factors that could cause actual performance or achievements to differ materially include, but are not limited to, those discussed in "Risk Factors" and elsewhere in this [**REDACTED**]. We caution you not to place undue reliance on these forward-looking statements, which reflect our management's view only as at the date of this [**REDACTED**]. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks and other risks, uncertainties and assumptions, the forward-looking events discussed in this [**REDACTED**] might not occur in the way we expect. All forward-looking statements contained in this [**REDACTED**] are qualified by reference to the cautionary statements set out in this section.

Potential investors should carefully consider the risk factors described below together with all other information contained in this [**REDACTED**] *before deciding whether or not to invest in the* [**REDACTED**]. *Our business, financial position, results of operations and prospects could be materially and adversely affected by any of these risks. The trading price of the* [**REDACTED**] *could decline due to any of these risks, and you may lose all or part of your investment. This* [**REDACTED**] *contains certain forward-looking statements regarding our plans, objectives, expectations and intentions that involve risks and uncertainties. Our actual results could differ materially from those discussed in this* [**REDACTED**]. *Factors that could cause or contribute to such differences include those discussed below, as well as those discussed elsewhere in this* [**REDACTED**].

We believe that there are certain risks involved in our operations, some of which are beyond our control. We have categorised these risks into: (i) risks relating to our business and our industry; (ii) risks relating to the People's Republic of China; and (iii) risks relating to the [**REDACTED**].

RISKS RELATING TO OUR BUSINESS AND OUR INDUSTRY

Our business relies heavily on investment by the PRC government in the PRC urban rail transit industry and is subject to the changes in the development of the PRC economy.

Our design, survey and consultancy business as well as construction contracting business are primarily focused on the urban rail transit industry in China, which involve different types of railway transportation, including subways, light rail and trams. Our clients are primarily municipal governments and their affiliated entities in major cities in China. For the three years ended 31 December 2011, 2012 and 2013, approximately 90.7%, 85.7% and 86.0%, respectively, of our total revenue was attributed to services we provided in connection with urban rail transit projects.

The future growth of the urban rail transit industry in China depends on the continued planning and construction of major urban rail transit projects. As a key infrastructure component in urban development, urban rail transit projects in China receive funding largely from municipal government budgets. Thus, our business relies heavily on policies promulgated by the PRC government and continuous urban rail transit investment by such local governments. Infrastructure investment by the PRC government is subject to periodic variations due to national and regional economic policies and changes in the development of the PRC economy. In addition, governmental policies relating to regional development planning, economic development and social benefits, land resources, industry restructuring and environmental protection may affect investment and development policies in the PRC urban rail transit industry. Furthermore, urban rail transit projects often require large capital investments and implementation of such plans may be limited by the capital available for investment by local governments. If there is any adverse change in the government budgets, public expenses and public policies in relation to the PRC urban rail transit industry, our business, financial position, results of operations and prospects may be materially and adversely affected.

In 2011 and 2012, the urban rail transit construction in Beijing slowed down due to a deceleration in local government investment. This slowdown resulted in a deferral of investment in public infrastructure, including urban rail transit, which in turn adversely affected our revenue for such financial periods.

A significant portion of our revenue is derived from a wholly State-owned enterprise, Rail Transit Company, which exposes us to significant concentration risk.

A significant portion of our revenue, particularly in the case of our construction contracting segment, is derived from a major client, Rail Transit Company, a wholly State-owned enterprise. For the three years ended 31 December 2011, 2012 and 2013, revenue from Rail Transit Company accounted for 59.6%, 45.3% and 38.1% of our total revenue, respectively. During the same periods, revenue relating to the construction contracting business from Rail Transit Company represented 80.9%, 70.5% and 67.1% of our total construction contracting revenue, respectively. Revenue relating to the design, survey and consultancy business from Rail Transit Company represented 17.7%, 16.4% and 11.3% of our total design, survey and consultancy revenue for the corresponding period, respectively. Rail Transit Company is a wholly State-owned enterprise incorporated under the supervision of Beijing Municipal Government. As one of our Strategic Investors, it also owns 5% of our outstanding shares before the [**REDACTED**]. We expect to continue to provide services to and generate a significant portion of our revenue from Rail Transit Company in the future. However, there is no assurance that we will be able to maintain our relationship with Rail Transit Company or any of our other major clients in the future, or that we will be able to continue to provide services to these clients at current levels or at all. If Rail Transit Company chooses to procure services from other contracting service providers or reduce its orders to us for any reason, we may experience fluctuations in our business and a significant decrease in our revenue. Any failure to maintain our existing client relationships or to expand our client base could materially and adversely affect our business, financial position, results of operations and prospects.

We rely on third parties, including subcontractors, to complete certain projects and are subject to risks arising from the non-performance, late performance or poor performance by such third parties.

We usually engage third-party subcontractors to carry out different parts of our business with an aim to reducing the need to employ a large workforce of skilled labour in different specialised areas, and increase flexibility and cost effectiveness in our operations.

The engagement of subcontractors is subject to certain risks, including difficulties in overseeing the performance of such subcontractors in a direct and effective manner, failure to complete a project where we are unable to hire suitable subcontractors, or losses as a result of unexpected subcontracting cost overrun. As the subcontractors have no direct contractual relationship with our clients, we are subject to risks associated with non-performance, late performance or poor performance by our subcontractors. As a result, we may experience deterioration in the quality of our projects, incur additional costs, or be exposed to liability in relation to the performance of subcontractors under the relevant contracts, which may have an impact on our profitability, financial performance and reputation, and may result in litigation or damages claims.

In addition, we may also be subject to claims arising from defective work performed by subcontractors. While we may attempt to seek compensation from the relevant subcontractors, who may not be able to perform or perform in a timely manner their obligations, we may be required to compensate our clients before receiving compensation from the subcontractors. If no corresponding claim can be asserted against a subcontractor, or the amounts of the claim cannot be recovered in full or at all from the subcontractor, we may be required to bear some or all the costs of the claims, in which case our business, financial position, results of operations and prospects could be materially and adversely affected.

The actual costs related to the performance of our contracts and associated risks may exceed our original estimates, resulting in cost overruns, less income, lower profitability or even losses.

We currently generate, and expect to continue to generate, a substantial portion of our revenue from fixed price contracts in both of our business segments. The terms of our contracts require us to complete a project for a fixed price which is generally established prior to commencement of the work. Our cost estimates for project completion are subject to a number of assumptions, including future economic conditions, actual cost and availability of labour and raw materials, subcontractors' performance and utilisation rates of shield tunneling machine. These assumptions may prove to be substantially different from our original estimates. Fixed price contracts also involve other variables and risks including delays caused by failure by the project owner to fulfil construction conditions or site preparation as scheduled, inclement weather, geological issues, technical issues and failure by the project owner to obtain requisite permits and approvals. Cost overruns can result in lower profit or a loss on a project, and therefore may have a material adverse effect on our business, financial position, results of operations and prospects.

Some of our construction contracts include price adjustment clauses, which permit us to negotiate with project owners or clients for compensation under certain circumstances, such as a change in laws, regulations and policies that affect the contract price or price adjustments announced by the authorities overseeing construction costs. However, even for contracts that contain price adjustment clauses, we are generally required to bear a portion of the increased costs.

From time to time, we may need to perform extra work or adjust the work scope under our contracts. For example, we may be required to change our scope of work when the project owner changes the design after the design plan is confirmed. We cannot assure you that we will be able to recover the costs arising from change in scope of work caused by a project owner. This may lead to business disputes, and may materially and adversely affect our business, financial position, results of operations and prospects.

We may experience delays or defaults in receiving our receivables, or delay in the release of bidding guarantees, prepayment guarantees, performance guarantees or retention monies from our clients.

Most of our design, survey and consultancy contracts and construction contracting contracts require us to commit a certain amount of cash and other resources prior to receiving any payments from our clients as a result of the bidding guarantees, prepayments guarantees, performance guarantees and retention monies arrangements under such contracts. Please refer to "Business — Business Segments — Construction Contracting Business — Principal Contract Terms" and "Business — Business Segments — Design, Survey and Consultancy Business — Principal Contract Terms" in the [**REDACTED**] for details.

Municipal governments and their affiliated entities are the largest investors in urban rail transit projects in China, and they are our core client base. Our ability to receive payments may be materially and adversely affected by changes or delays in the project due to changes in municipal planning, financial policies or cash or other constraints of such municipality. A portion of our industrial and civil construction projects is funded by private enterprises which carry higher risks of default. As we may commence work prior to receiving payment, our receivables at any point in time may be significant. As at 31 December 2011, 2012 and 2013, our total trade receivables were RMB1,212.51 million, RMB1,175.84 million and RMB1,540.71 million, respectively. For the three years ended 31 December 2011, 2012 and 2013, the provision for bad debts were RMB92.69 million, RMB121.67 million and RMB140.38 million, respectively, accounting for 7.6%, 10.3% and 9.1% of our total trade receivables for the corresponding period, respectively.

If a client delays payment, or fails to release our retention monies or guarantee deposits as scheduled, our cash flow and working capital may be materially and adversely affected. Even where we are able to recover any losses incurred pursuant to the terms of the contract, the process of such recovery is usually time-consuming and requires financial and other resources to settle the disputes. Furthermore, there can be no assurance that any outcome will be in our favour or that any dispute will be resolved in a timely manner, in particular with respect to government funded projects. Failure to secure adequate payments in time or to manage bad debt effectively could have a material and adverse effect on our business, financial position, results of operations and prospects.

We had negative net operating cash flows for the years ended 31 December 2011 and 2012. If we record negative operating cash flows in the future, we may become unable to meet our payment obligations, and our business, financial position, results of operations and prospects may be materially and adversely affected.

For the years ended 31 December 2011 and 2012, we recorded negative net cash flows from operating activities of RMB431.88 million and RMB217.46 million, respectively. Our negative net operating cash flows were principally attributable to delays in progress billing and settlement of trade receivables by project owners due to the temporary capital constraints as a result of adverse macroeconomic environment in 2011 and 2012. During the Track Record Period, we funded our capital expenditure primarily with internal resources. Our capital expenditure (recognised on cash basis) for the year ended 31 December 2013 was RMB25.90 million and our current planned capital expenditures for 2014 and 2015 are RMB81.35 million and RMB87.04 million, respectively. While our Directors believe that we have sufficient funds to finance our current working capital requirements, our operating cash flows may be adversely affected by a variety of competition, macroeconomic and other related factors that are beyond our control. We cannot assure you that we will not experience negative net operating cash flows in the future due to future delays in payment by our customers or otherwise. Our future liquidity, the payment of trade, bills and other payables and accruals, as well as the repayment of any potential debt obligations as and when they become due, will primarily depend on our ability to maintain adequate cash inflows from operating activities and possibly proceeds from external financings. If we are unable to maintain adequate cash inflows, we may default on our payment obligations and may not be able to meet our capital expenditure requirements. As a result, our business, financial position, results of operations and prospects may be materially and adversely affected.

The integration of our construction contracting business and design, survey and consultancy business may not achieve expected results.

We underwent the Reorganisation in 2012 and the Company was incorporated as a joint stock limited liability company in the PRC on 28 October 2013. During the Reorganisation, BUCG transferred its rail transit general construction contracting business to us for no financial consideration. Please refer to "History, Reorganisation and Corporate Structure" in this [**REDACTED**] for details. Prior to the Reorganisation, the rail transit general construction contracting department operated under BUCG and such businesses were conducted through different entities. Although we expect to further integrate our urban rail transit businesses and enhance opportunities for synergies, there can be no assurance that such integration or synergies will be achieved.

Our business integration plan exposes us to certain challenges and risks, thus the plan may not be effectively implemented. If there are cost overruns or other changes adversely affecting our reputation and our employees, our integration plan may not succeed. If we fail to implement the business integration plan, our business, financial position, results of operations and prospects may be materially and adversely affected. Furthermore, as discussed in the section headed "History, Reorganisation and Corporate Structure — Corporate Structure and Business Segments — Reorganisation", as at the Latest Practicable Date, the transfer of certain of our PC contracts from BUCG to us had not been completed after the Reorganisation. We cannot assure you that we will be able to complete the transfer of these four contracts promptly or at all. This may lead to business disputes, and may materially and adversely affect our business, financial position, results of operations and prospects. Please refer to "History, Reorganisation and Corporate Structure — Corporate Structure and Business Segments — Reorganisation" for further details.

Development of our internal controls may not keep pace with our business development and we may not be able to carry out our internal control measures effectively.

We generally establish and adjust our management and internal control measures as our business develops and expands. Therefore, allocation of financial and management resources has become increasingly critical. Our internal controls must also develop so as to address integration of our businesses, in particular following the Reorganisation. Key metrics for our internal control measures are management of financial data, risk management, integration of internal resources and integration of our information systems. There can be no assurance that our current internal control measures will be sufficient to meet our future operating needs or that our employees will not violate the measures we have in place. Defects in our internal controls or resource allocation may harm our ability to analyse and report our results of operations accurately. As a result, our business, financial position, results of operations and prospects may be materially and adversely affected.

The urban rail transit industry is subject to intense competition.

Competition in the PRC urban rail transit industry is intense and has increased substantially in recent years. Our competitors in the industry are primarily design institutes and construction subsidiaries of State-owned enterprises and State-owned railway construction companies which have recently begun to develop urban rail transit related businesses, as well as regional urban rail transit construction companies established by various local governments. Please refer to "Business — Market and Competition" in this [**REDACTED**] for more details. We expect the number of competitors to increase in the PRC urban rail transit industry in the future.

Factors that affect our competitiveness include service quality, technology standards, execution capabilities and service price. Several of our regional competitors may have an advantage over us in terms of pricing and bidding in local government funded projects, as local governments may prefer regional contractors and service providers. In addition, urban rail transit projects are usually awarded through a public tendering and bidding process with price ceilings. If other competitors bid at prices lower than ours, it may affect our ability to win project contracts. Our market position relies on our ability to foresee and respond to different and changing competitive factors, including the pricing strategy of competitors, changes in clients' preferences, sources of funding, financing channels and introduction of new and improved products and services.

There can be no assurance that our competitors will not develop expertise, experience and resources to provide better service than ours in terms of quality and price. There can also be no assurance that potential changes in relevant government regulations, industry trends or market conditions will not unexpectedly change the competitive landscape of the industry. During economic downturns, the government is likely to reduce its capital expenditures on infrastructure projects. During periods where market demand for our services is depressed but there remain a large number of market participants, the competition is likely to intensify and adversely affect our profit margins. If we fail to maintain or enhance our competitiveness in the industry or retain the current client base, it may materially and adversely affect our business, financial position, results of operations and prospects.

We may be exposed to unpredictable challenges when expanding our business into new fields, particularly in the BT, BOT and PPP businesses.

In order to increase our core competitive strength and profitability, we plan to gradually expand our operations through engaging in BT, BOT and PPP businesses, along with the commercialisation and monetization of innovative technologies. Expanding into such business areas may expose us to numerous risks, including risks related to working capital and cash management. For instance, our clients in BT projects may delay or even may not be able to settle the payment upon the completion of the project. In BOT projects, we are exposed to risks arising from inaccurate forecasts made on the proceeds from operations while bidding and the risk of an unexpected longer investment period due to a change in economic conditions. Significant decreases in the profitability or underperformance of the BT, BOT and PPP projects due to our insufficient experience in handling such projects may cause material and adverse impact on our business, financial position, results of operations and prospects.

If we undertake BT, BOT and PPP projects without guaranteed returns, large amounts of working capital may need to be committed for a long period of time. This may materially and adversely affect our cash flows. To the extent that our capital requirements exceed our financial resources, we will be required to seek additional debt or equity financing or else defer planned expenditures. We have historically financed our working capital requirements and capital expenditures primarily with cash generated from our operations. Along with the further expansion in the scale of our operations and the venture into new business fields, our working capital requirements will increase further. Our ability to obtain external financing in the future and the cost of such financing are subject to a variety of uncertainties, including but not limited to:

- the overall condition of financial markets;
- potential changes in monetary policies with respect to bank interest rates and lending policy;
- our ability to obtain the PRC government approvals required for domestic or international financing; and
- our financial position.

If we are unable to obtain sufficient financing for our expansion on a timely basis and at a reasonable cost to support our business development, our business, financial position, results of operations and prospects could be materially and adversely affected.

The commercialisation and monetisation of technology as a result of our expansion also brings about certain risks, including risks related to technology implementation, market acceptance of such technology, government policies with respect to the use of such technology and risks related to defects or flaws in such technology when in operation. Each risk may result in the commercialisation of our technologies being unable to achieve expected results or failing to recoup the funds committed in the early stage or generate expected profits, which may cause a material and adverse impact on our business, financial position, results of operations and prospects.

Our possible acquisition or strategic investment may not achieve the expected results and may present risks or uncertainties.

We may selectively pursue acquisitions or strategic investments. There can be no assurance that we will be able to identify suitable targets for acquisitions or investments, or that we will be able to consummate any such transactions on terms and conditions acceptable to us, or that such transactions will be successful. Acquisitions may cause us to enter into business that we have not previously conducted and expose us to additional business risks that are different from those we have historically experienced. We may also encounter significant difficulties in identifying all risks relating to potential transactions during the due diligence process and successfully managing the growth we expect to experience from such acquisitions or investments. If our acquisition or investment is not successful, it may result in loss of all or part of our investment, and therefore our business, financial position, results of operations and prospects could be materially and adversely affected.

Our short-term results of operations may not be indicative of the long-term results of operations.

The durations of our contracts are relatively long, typically spanning approximately one to five years for design contracts, and approximately two to five years for construction contracts. Revenue from ongoing contracts is usually recognised over time in subsequent years. Therefore, our future results may fluctuate in connection with the entering into of new contracts. Additionally, our profitability may not be in-line with the progress of the projects. The completion and settlement of large projects may result in significant profit for the year, which may result in substantial fluctuations in our profitability from year to year. If the revenue of a particular large-scale project is recognised in a fiscal year or period, our revenue and profitability may experience significant fluctuations. Please refer to "Financial Information — Timing and progress of certain major projects" in this [**REDACTED**]. Accordingly, there can be no assurance that our short-term results of operations are indicative of our long-term results of operations.

Our backlog may not be a reliable indicator for our future results of operations.

As at 31 December 2011, 2012 and 2013, our backlog was RMB7,006.20 million, RMB6,941.50 million and RMB8,219.09 million, respectively. The figures were net of estimated value added tax and based on the assumption that the relevant contracts will be performed in accordance with their terms. Any modification, termination or suspension of these contracts by our clients, especially with regard to any one or more sizeable contracts, may have a substantial and immediate effect on our backlog. Projects may also remain in our backlog for an extended period of time beyond the initial period anticipated due to various factors beyond our control. Moreover, backlog is not a measure defined by the PRC GAAP or IFRSs. Due to various reasons, including some projects commencing and ending within a short period of time, not all past or anticipated revenue can be recorded in our backlog. Therefore, our backlog only reflects the general volume of our future projects under uncompleted contracts and may not be indicative of future results of operations. Please refer to "Business — Backlog and New Contract Value — Backlog" in this [**REDACTED**]. We cannot guarantee that the estimated amount of our backlog will be realised in time, or at all, or even realised, that we will be able to record profit. As a result, investors should not unduly rely on our backlog or consider it as a reliable indicator of our future profits or results of operations.

We historically derived a de minimis amount of our revenue from services provided in Iran, including during the Track Record Period, and prior transactions conducted by us in Iran and other countries subject to sanctions could impact adversely on our business and, in certain circumstances, investors in our H Shares.

The U.S. and certain other jurisdictions, including the European Union, United Nations and Australia, maintain broad economic sanctions targeting the Sanctioned Countries.

During the period from 1996 to 2011, we entered into 13 Iran Design Subcontracts and 10 Iran Agreements-to-Bid. For a detailed discussion of the Iran Design Subcontracts and the Iran Agreements-to-Bid, please refer to "Business — Historical Iran-Related Business" in this [**REDACTED**]. Other than the aforesaid Iran Design Subcontracts and Iran Agreements-to-Bid, we did not conduct any other business in any Sanctioned Countries during the Track Record Period, and we currently do not have any business with or within these Sanctioned Countries.

For the three years ended 31 December 2011, 2012 and 2013, the total revenue we received from the Iran Design Subcontracts amounted to approximately RMB3.09 million, RMB1.94 million and RMB0.50 million, respectively, accounting for approximately 0.09%, 0.07% and 0.02% of our total revenue during these periods, respectively. We did not generate any revenue from the Iran Agreements-to-Bid during the same periods, but received RMB628,830 pursuant to one of the Iran Agreements-to-Bid as preliminary bid preparation expense reimbursement. Under each of the Iran Design Subcontracts and with respect to the RMB628,830 received under the one Agreement-to-Bid, we never received any direct payments from any principals or entities in Iran and all such payments were received by us from the PRC general contractors. All payments were received in RMB through Chinese banks operating in China.

In relation to the Iran Design Subcontracts and Iran Agreements-to-Bid, we have not been notified that any sanctions will be imposed on us.

We have undertaken to the Hong Kong Stock Exchange, among other things, that we will not use any of the proceeds from the [**REDACTED**], or any other funds raised through the Hong Kong Stock Exchange, directly or indirectly, to finance or facilitate any projects or businesses in the Sanctioned Countries, or in connection with sanctions-related activities.

As a company incorporated and based in China, we will comply with all PRC laws and applicable laws in the jurisdictions where we have operations.

We believe we are not directly subject to compliance with OFAC regulations to the extent applicable to a U.S. person, as we do not conduct business in or through the United States. Although we are a non-U.S. company and have no current operations in the United States, certain types of business in Iran and other Sanctioned Countries, if undertaken by us or other non-U.S. companies, could attract U.S. or other economic sanctions on an extraterritorial basis.

We currently have no intention to undertake any business in Iran or other Sanctioned Countries that would expose us to U.S. extraterritorial sanctions or sanctions imposed by other jurisdictions. However, we can provide no assurance that our future business will not be subject to sanctions imposed by the United States or other jurisdictions outside the PRC or that we would be able to conform our business to the expectations and requirements of such non-PRC jurisdictions. In particular, because many sanctions programmes are evolving, new requirements or restrictions could come into effect which might increase scrutiny on our business or result in one or more of our business activities being deemed to violate sanctions.

We have adopted a number of measures designed to control our exposure to the applicable sanctions risks. In particular, the Overseas Risk Control Committee is responsible for, among other things:

- monitoring and controlling our risk of being affected by laws on sanctions in relation to jurisdictions where we carry out business;

- formulating control measures to ensure that proceeds from public offerings will not be used to finance or facilitate any project or business in the Sanctioned Countries; and

- making recommendations to the Board on matters concerning our corporate activities that would or may subject us to the risk of sanctions. For more details of these control measures, please refer to "Business — Sanctions Risk — Our Undertakings and Internal Control Measures" in this [**REDACTED**].

Before investing in our Shares, an investor should consider if such investment would expose such investor to any sanctions law risk arising from such investor's nationality or residency.

To the extent we decide to engage in transactions which involve direct or indirect sales of our services to Sanctions Countries in the future, our reputation could be adversely affected, some of our investors may be required to sell their interests in our Company under the laws of certain jurisdictions or under internal investment policies or due to reputational reasons, all of which could materially and adversely affect the price of our H Shares and of your investment in our Shares. We are aware that if we breach any related undertakings we have given to the Hong Kong Stock Exchange in relation to sanctionable activities, our H Shares may be delisted from the Hong Kong Stock Exchange.

Our construction contracting business involves inherent industrial risks and occupational hazards.

Our construction contracting business involves inherent industrial risks and occupational hazards, which may not be eliminated through implementing safety measures. We participate in certain activities presenting risks and dangers, among which are underground excavation and construction, tunneling projects and the use of heavy machinery. Thus we are exposed to risks related to such activities, such as systems and equipment failure, industrial accidents, fire, explosion, underground water leakages, and geological hazards. We cannot ensure that such risks will not cause a material and adverse impact to us in the future. The materialisation of any of the risks mentioned above in the worst case scenario may disrupt our business and damage our reputation, which may also affect the validity of our relevant qualifications, business operations and results of operations.

We may also assume related liabilities arising from a client's or third party's use of facilities contracted or designed by us. We aim to mitigate the risks of potential claims involved in our business by inserting terms on the limitations of liabilities, indemnities from clients, contractors and suppliers and insurance. Due to a number of factors beyond our control, however, these measures may not provide sufficient coverage for us, including:

- in China, we are held strictly liable for environmental and employee injury liabilities as a matter of law and such liabilities may not be limited through contracts;
- our clients, subcontractors or suppliers may not have adequate financial resources to satisfy their indemnity obligations to us;
- losses may arise from risks not covered in indemnity agreements; and
- our insurance coverage may not be sufficient, and it may not be possible to obtain adequate insurance (or any insurance at all) to cover certain risks on commercially reasonable terms, such as change in financial policies.

To the extent we are not adequately covered by third party guarantee or indemnity, we may incur substantial obligations arising from the client's or third party's use of facilities designed or constructed by us.

The insurance we purchased may not be sufficient to cover all risks or losses which might be incurred.

For construction contracting projects, some project owners may purchase engineering all risks insurance and we are the beneficiary of such insurance. If the project owners do not purchase engineering all risks insurance, we will be required to purchase such insurance. The relevant insurance policies generally cover the entire contract period, including the warranty period upon completion of the project. Pursuant to relevant PRC laws and regulations, we have also purchased pensions, medical, unemployment, work-related injury and maternity insurance for our employees and have purchased construction worker accident and injury insurance or migrant worker work-related injury insurance for overseas and on-site construction workers.

We have neither purchased third-party insurance to cover claims in connection with personal injuries due to property accidents and oversight or negligence in business operations, nor have we purchased third-party insurance for property or environmental damages. In addition, we have not maintained insurance policies against losses arising from our environmental liabilities, business interruption, industrial accidents, work stoppages, civil unrest or other activities. Pursuant to PRC laws and regulations, purchasing such insurance is not compulsory. If we purchase such additional insurance, we would incur additional costs for our business operations.

Although we believe our insurance coverage is sufficient for the needs of our operations and appropriate for our current risk profile, we cannot guarantee that our current levels of insurance are sufficient to cover all potential risks and losses. If we face any operating risks resulting from any of the aforesaid events in relation to the failure to purchase insurance, we may bear a substantial cost and experience a loss. In addition, our insurers will review our policies each year and we cannot guarantee that we can renew our policies or can renew our policies on similar or other acceptable terms. If we suffer from severe unexpected losses or losses that far exceed the policy limits, it could have a material and adverse effect on our business, financial position, results of operations and prospects.

If our operation qualifications or licences are downgraded, cancelled, suspended or fail to be renewed, it may materially and adversely affect our business, financial position, results of operations and prospects.

We are required to obtain and hold the qualifications and licences issued by the relevant government authorities in order to operate our businesses. We must comply with the restrictions and conditions imposed by the government at different levels in order to keep the relevant qualifications and licences. If we fail to comply with the applicable requirements or any required conditions to keep the qualifications and licences, then our qualifications and licences may be downgraded, suspended or cancelled. Delay or refusal may occur when renewing such qualifications and licences upon expiry. Failure to keep or renew the qualifications and licences could result in suspension of our business operations, restriction or prohibition of certain business activities, or commencement of new business, thereby materially and adversely affecting our business, financial position, results of operations and prospects. For more information about our business qualifications, please refer to "Business — Qualifications and Licences" in this [**REDACTED**]. For more information on the restrictions and conditions on the qualifications and licences, please refer to "Summary of Laws and Regulations in China" in this [**REDACTED**].

Certain of our joint venture enterprises and associates may not take actions favourable to us.

We own equity interests in certain joint venture enterprises and associates in which we do not have majority control. Since we do not exercise majority control in these enterprises, we cannot completely control their business decisions and actions. One of our associates is Rail Transit Design Institute, in which 50% of the equity interest is owned by one of our clients, namely Rail Transit Company and its subsidiary, and the remaining 50% is jointly owned by BUCG and us. Even though Rail Transit Design Institute has provided non-compete undertakings to us, we cannot ensure that the future business of Rail Transit Design Institute will not directly or indirectly overlap or compete with our principal businesses. Should the Rail Transit Design Institute violate its undertakings and compete with us for projects from, amongst others, Rail Transit Company, our business, financial position, results of operations and prospects may be materially and adversely affected. Please refer to "History, Reorganisation and Corporate Structure" and "Relationship with BUCG and Rail Transit Design Institute" in this [**REDACTED**] for more details.

Our tax burden may increase as a result of changes in tax policies of the PRC government, including potential abolition of the preferential tax treatment from which we benefit.

In 2010, we and our subsidiary, Exploration Institute, received high-tech enterprise certificates that are valid for three years from Beijing Municipal Science and Technology Commission. According to the relevant laws, we and Exploration Institute were entitled to a preferential enterprise income tax rate of 15% during the period between 1 January 2010 and 31 December 2012 as high-tech enterprises. We have successfully obtained the renewal of the formal high-tech enterprise certificate in March 2014 for the years of 2013, 2014 and 2015. However, our operating scope has expanded to the construction industry as a result of the transfer of the rail transit general construction contracting business to us from BUCG. Due to the expanded operating scope of our businesses, the Beijing Municipal Science and Technology

Commission may require a reassessment of our high-tech enterprise qualification. Therefore, there are uncertainties whether we will be able to continue to enjoy the preferential tax treatment. If we are no longer entitled to the existing preferential tax treatment due to our Reorganisation or any future changes in business or the relevant tax regulations, the enterprise income tax rate for us may increase significantly, thereby materially and adversely affect our business, financial position, results of operations and prospects.

The PRC government may also adjust tax policies from time to time, such as those policies concerning value added tax and business tax. For example, the national and municipal tax authorities in the PRC have promulgated a pilot programme regarding value added tax. Under this programme, the design, survey and consultancy services which we and our subsidiaries engage in are categorised under the "modern service industry." As a result, we are subject to the 6% value added tax rather than the business tax. Please refer to "Financial Information — Taxation" in this [**REDACTED**] for more information. Currently, we are not able to accurately predict the effect on the financial position and results of operations arising from the above tax policy adjustment. We are also unable to assure you that future changes in tax policies will not materially and adversely affect our business, financial position, results of operations and prospects.

In addition, we are required to pay different taxes in countries and regions outside of the PRC where we provide services. With the gradual increase of our subsequent overseas revenue, our overseas tax expenses may increase accordingly, which may materially and adversely affect our business, financial position, results of operations and prospects.

Our operations may subject us to litigation, arbitration, administrative proceedings or other disputes which may be time consuming and expose us to significant liability claims.

We may from time to time encounter disputes arising from contracts with project owners, clients, subcontractors, suppliers or other third parties, which may involve claims against them or us. Claims against us may involve defective work products or unfinished work, defective designs, casualties, property damages, breach of warranties, delay of payment to subcontractors or suppliers, or delays in the completion of projects or contracts.

Claims involving us could result in time-consuming and costly litigations, arbitration, administrative proceedings or other legal procedures. Expenses we incur in legal proceedings or arising from claims brought by or against us could have a material and adverse effect on our business, financial position, results of operations and prospects. Moreover, legal proceedings resulting in unfavourable judgments or findings may harm our reputation, cause financial losses and damage our prospects of winning future contracts, thereby materially and adversely affecting our business, financial position, results of operations and prospects.

The loss of services of our senior management and senior technicians may materially and adversely affect our business, financial position, results of operations and prospects. In addition, if we fail to attract and retain talented staff, our development may be hindered.

The growth of our business relies on the continuous services of our senior management. The experience in the industry, extensive expertise and contributions from our executive directors and other senior management are crucial for our continuing success. Please refer to "Directors, Supervisors, Senior

Management and Employees" in this [**REDACTED**] for their biographies. If any of our key members of management departs and we fail to timely appoint individuals with equivalent qualifications, the management and growth of our business may be adversely affected.

The performance and development of our business rely on our ability to recruit, train and retain experienced and skilled staff, including management personnel and professionals with essential experience, expertise and strengths in the businesses that we operate, such as designers, engineers, project managers, research and development staff and senior technicians. We are legally required to retain a specified number of qualified professionals as full-time staff. When our clients increase capital expenditure and therefore increase the demand for our services, our demand for staff with relevant experience also increases correspondingly. Competition for qualified employees is intense in China, and we may need to improve the management of remuneration, benefits and human resources in order to prevent any loss of talents and may also need to incur significant expenses on staff training to increase their relevant experience and expertise skills.

Our entry into new business areas and regional markets will increase the pressure on human resources management. We cannot assure you that we will be able to engage sufficient staff with the appropriate skills to execute our projects or conduct other corporate activities. We also cannot assure you that labour costs will not increase when recruiting skilled personnel. If we fail to attract and retain staff with the appropriate management, technical or sales expertise, or fail to continuously maintain sufficient labour, our business will be adversely affected while our results of operations, future development and expansion plans may also be hindered.

We may not be able to sufficiently protect our intellectual properties.

We primarily rely on patents to protect our intellectual property, including the design and construction technology used in our services. As at the Latest Practicable Date, we had 51 patents and 18 patent applications in China. In addition, we have developed various advanced systems, proprietary technology, construction methods, processes and other intellectual property rights, which enable us to raise our productivity and maintain our competitive edge.

However, the relevant legal system relating to intellectual properties in China is still evolving. The protection of intellectual properties in China may differ from those in other jurisdictions. Protection of intellectual properties is costly and we may be unable to promptly become aware of any unauthorized use of our intellectual properties and take effective measures to protect our intellectual property rights. If the measures taken by us and the protection provided by the laws are not adequate to protect our intellectual properties, we may incur losses arising from infringement of intellectual properties by other parties to provide competitive services or sales of competitive products.

We cannot assure you that our intellectual properties will not be objected to, infringed upon or circumvented by third parties. We also cannot assure you that our competitors will not independently develop alternative technology that is equivalent to or better than ours. Furthermore, we may fail to successfully obtain patent authorisation, complete patent registration or protect such patents, which may materially and adversely affect our business, financial position, results of operations and prospects.

Some of our leased properties have defective titles and we may be required to cease using such leased properties if there is a valid claim for them.

As at 31 December 2013, we leased 113 properties with a total GFA of approximately 29,624 sq.m. in China. These properties were mainly used as offices or for residential purposes. The lessors of 69 of the 113 properties, with a GFA of approximately 18,134 sq.m. (representing approximately 61.21% of the total GFA our Group leased), have failed to provide us with property ownership certificates or consents from the property owners with respect to the lease of the properties.

The lease agreements relating to the leased properties with defective titles may be unenforceable under PRC law. We may be required to cease occupation and use of such leased properties if there is a valid claim for the properties. We may claim compensation or indemnification from the lessors under some of our lease agreements, but legal proceedings may consume substantial managerial and financial resources and there can be no assurance that we would be able to receive sufficient compensation or indemnification to cover our losses and damages.

Some of our lease agreements have not been filed with the relevant PRC authorities and we might be subject to administrative fines.

As at 31 December 2013, we had not completed the administrative filings of the lease agreements relating to 109 properties with a total GFA of approximately 28,933 sq.m. According to applicable PRC administrative regulations, the lessor and the lessee of a lease agreement are required to file the lease agreement with relevant governmental authorities within 30 days after the execution of the lease agreement. If the filing is not made, the governmental authorities may require that the filing be made within a stated period of time, failing which they may impose a fine ranging from RMB1,000 to RMB10,000 for each agreement that has not been properly filed. It is not clear under PRC law if the fine will be borne by the lessor or lessee.

According to applicable PRC administrative regulations, lessors of the related leases are required to provide us with certain documents (such as their business licences or identification information) in order to complete the administrative filing. There can be no assurance that the lessors of our leased properties will be cooperative in the process of completing the filing. If we fail to complete the administrative filings within a period required by the relevant governmental authorities and are determined to be liable for failing to file all the relevant lease agreements, we might be subject to total fines of up to RMB1.09 million.

We cannot assure you that our anti-fraud related internal control system will be effective in preventing the occurrence of corruption, bribery or other illegal activities.

We are subject to risks in relation to actions taken by us or our employees that constitute violations of the PRC anti-corruption and other related laws. We are unable to guarantee that our internal control system will be effective in preventing the occurrence of corruption, bribery or other illegal activities. Our failure to comply with the applicable laws, or effectively manage our employees and subsidiaries in this regard, could have a material and adverse impact on our reputation, business, results of operations and prospects.

We do not own the trade names of "BUCG" or "城建" and the related trademarks, and trademarks licensed by BUCG for our use are in the process of registration.

We do not own the trade names of "BUCG" or "城建" and the related trademarks. Under the Trademark Licensing Framework Agreement signed with BUCG, we can use those trademarks on a non-exclusive basis for three years starting from the date of the agreement. Unless we issue a written notice to BUCG, the effective term will automatically be extended for three years. Please refer to "Connected Transactions — Continuing Connected Transactions — Exempt Continuing Connected Transactions — Trademark Licence Framework Agreement" in this [**REDACTED**] and "Appendix VI — Statutory and General Information — Further Information about Our Business — Intellectual Property Rights — Trademarks" to this [**REDACTED**] for details of the Trademark Licensing Framework Agreement.

As at the Latest Practicable Date, BUCG had applied in Hong Kong for the trademark registration of BUCG's logo, which we are permitted to use. The application number is 302859607. BUCG filed the application on 7 January 2014, which is still under review by relevant governmental authority. Should there be no objection within three months upon completion of the review process, the registration certificates of those related trademarks are expected to be issued in February 2015. However, the application period will mainly depend on the vetting progress of the governmental authorities concerned in Hong Kong, which is effectively out of our control. In addition, we cannot guarantee that the trademarks in the application process will be approved in the end, nor can we guarantee that the granting of the trademark in products or services areas can cover all of our normal business activities. Should BUCG fail to register for the trademark or any court or magistracy rules that we are infringing on or have been infringing on any other trademarks or intellectual copyrights, that will cause an adverse impact on our business and reputation. In addition, we are applying for registration for a trademark of "UCD" in China. We cannot guarantee that those trademarks will be approved in the end nor can we guarantee that the granting of such trademarks in products or service areas can cover all of our normal business activities. Should we fail to register for any of the trademarks or any court in China rules that we are infringing on or have been infringing on any other trademarks or intellectual copyrights, that will cause an adverse impact on our business and reputation.

To the extent that we expand into additional overseas markets, such expansion will be affected by economic conditions and political and other risks in such countries where we operate.

Currently, our limited overseas business focuses on Angola and Vietnam. We plan to selectively pursue suitable opportunities in overseas markets and strategically expand the scope of our overseas business. Our overseas business is affected by the changes in and the instability of international economic and political conditions as well as the regional condition of the jurisdictions where we operate (including Africa and Southeast Asia). The political and economic conditions in such regions are often subject to instability. In particular, any changes in the diplomatic and economic relations between the PRC government and governments of those nations where we operate could adversely affect our business in those countries.

We are exposed to the following risks related to our operating countries and regions in our overseas operating business, including but not limited to:

- political risks, including civil unrest, acts of terrorism, war, coups, civil war, local or global political or military tensions, diplomatic relations tensions or changes, confiscation or nationalisation of our assets;

- fluctuations in the economy and financial markets, as well as credit risk;
- changes in foreign government regulations or policies and the lack of a well-developed or independent legal system in foreign countries, which may create difficulties for us to enforce our contractual rights;
- dependence on foreign governments or entities controlled by such foreign governments for utility or infrastructure; possible unfavourable labour conditions or employee strikes; or the existence of anti-Chinese sentiment and related events, demonstrations or policies such as the implementation of protectionism against PRC companies;
- unfamiliarity with local operating and market conditions, lack of understanding of local taxation, customs and other laws, regulations, standards and other requirements; and
- the cyclical nature and the demand of international construction design and construction markets, and competition from other international and local companies; preferential treatment or corrupt business practices; tax increases or adverse tax policies; foreign currency controls and fluctuations.

In addition, we may need to allocate management resources and employees to high risk regions where overseas projects are situated. We may purchase insurance and adopt other measures to protect employees and assets that may incur significant expenses. However, the sufficiency and effectiveness of such measures cannot be assured. Our exposure to such risks varies depending on the projects and the specific stage of each project. The above scenarios may disrupt our projects, incur loss of staff and assets and may adversely affect our overseas expansion, general financial position and profitability.

We are required to comply with various environmental, safety and health laws and regulations that may increase the compliance cost.

Our business is subject to various environmental, safety and health laws and regulations promulgated by the PRC government and the governments of overseas jurisdictions where we operate. Given the complexity and continuous amendments to these laws and regulations, compliance therewith may involve substantial financial and other resources to establish efficient compliance and monitoring systems. When we serve as a general contractor, we are responsible for the quality of the construction works, including the breach of environmental, safety and health laws and regulations of the subcontractors. If the designs and the projects contracted by us caused any damages to the environment and natural resources or caused loss of assets or casualties in violation of environmental, safety and health laws and regulations, we may be required to rectify or restore the projects or be responsible for the harm, loss of assets or casualties.

The interests of BUCG, our Controlling Shareholder, may not align with that of our other shareholders.

Upon the completion of the [**REDACTED**] and assuming the Over-allotment Option is not exercised, BUCG will beneficially own approximately [**REDACTED**] of the outstanding Shares. BUCG, as our Controlling Shareholder, will have substantial influence over our business, including decisions regarding significant transactions and corporate actions such as mergers, consolidations and the sale of all or substantially all of our assets, election of directors and dividend policy. In particular, to the extent BUCG enters into contracts or transactions with us, it may have potential interests that differ from our interests or the interests of our shareholders. There can be no assurance that, if a conflict of interest arises, BUCG will act in the best interests of us or that any conflict of interest will be resolved in our favour.

RISKS RELATING TO THE PEOPLE'S REPUBLIC OF CHINA

Changes in political and economic policy in the PRC may affect our results of operations.

Most of our assets are located in the PRC and most of our revenue is derived from the PRC. Therefore, our business, financial position, results of operations and prospects are subject to economic, political and legal development in the PRC. The PRC economy differs from that of most of the developed countries in various aspects, including the government involvement in resources allocation, capital investment, development standards, growth rate and foreign exchange control.

The PRC government may implement a number of policies and other measures to regulate and control the economy, which may negatively affect our businesses. The policies and measures include the measures implemented to control inflation or restrain growth, changes in tax rates or ways of tax collection, or additional restrictions adopted on currency conversion and outward remittance. Our business, financial position, results of operations and prospects may be adversely affected by any changes in political, economic and social policy or laws or regulations of the PRC government.

We are exposed to foreign exchange rate risks and our businesses and the investment of the investors may be materially and adversely affected by the fluctuations in exchange rates.

During the Track Record Period, most of our revenues and costs are denominated in Renminbi. However, we are exposed to exchange rate risks due to certain of our contracts outside China, which are generally denominated in US dollars, particularly when the currencies of contract income and project expenses are different. Therefore, the Renminbi value of our incomplete contractual amount from the projects outside China may substantially increase or decrease from time to time due to fluctuations in exchange rates. We currently do not adopt any measures, such as foreign currency hedging arrangements, to control the risks related to fluctuations in exchange rates.

The fluctuations in the exchange rates of Renminbi against other currencies may substantially affect our results of operations. If Renminbi depreciates, our costs for purchasing imported equipment and components would rise as the depreciation would lead to a conversion of more Renminbi for equivalent foreign currency when settling the payments for goods by us. On the other hand, if Renminbi appreciates, it would increase our service charges denominated in other currencies and may affect our overseas marketing strategies.

Furthermore, we will convert part of the proceeds of the [**REDACTED**] from Hong Kong dollar into Renminbi. If Renminbi appreciates against Hong Kong dollar, it would reduce the amount of Renminbi that would be available for our use upon conversion. We cannot predict the future trends of Renminbi. Therefore, the fluctuation in the exchange rates of Renminbi against other currencies may materially and adversely affect our business, financial position, results of operations and prospects.

The foreign exchange control adopted by the PRC government may limit our foreign exchange transactions, including the dividend payments on H Shares.

Currently, Renminbi cannot be freely converted into any foreign currency, and conversion and remittance of foreign currencies are subject to PRC foreign exchange laws and regulations, which may affect exchange rates and our foreign exchange transactions. We cannot guarantee that we have sufficient foreign exchange to meet our foreign exchange requirements under certain exchange rates. Under the current PRC foreign exchange control system, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require prior approval from the SAFE, but we are required to present relevant evidence of such transactions and conduct such transactions at licensed banks within the PRC. Therefore, after the completion of the [**REDACTED**], we can immediately pay dividends in foreign currencies without prior approval by the SAFE if we are in compliance with the relevant formalities requirements. However, the foreign exchange transactions under the capital account conducted by us must be approved in advance by the SAFE.

There can be no assurance that the policies regarding foreign exchange transactions under the current account and capital account will continue in the future. In addition, these foreign exchange policies may restrict our ability to obtain sufficient foreign exchange, which could have an effect on our foreign exchange transactions and on obtaining other required foreign exchange. If there are changes in the policies regarding the payment of dividends in foreign currencies to shareholders or other changes in foreign exchange policies resulting in insufficient foreign exchange, our payment of dividends in foreign currencies may be affected. If we fail to obtain approval from the SAFE to convert Renminbi into any foreign exchange for foreign exchange transactions, our capital expenditure plans, and even our business, financial position and results of operations, may be adversely affected.

The PRC legal system is still evolving and there are inherent uncertainties as to interpretation and implementation of laws, which could limit legal protections available to us and to our shareholders.

We and our subsidiaries are incorporated in China and most of our business is operated in China. These entities and operations must therefore comply with the applicable PRC laws. The PRC legal system is based on written statutes and various administrative regulations. Prior court decisions or rulings may be cited for reference in courts and administration proceedings but have limited precedential value. However, PRC laws and regulations are still evolving, and because of the limited number and non-binding nature of published cases, uncertainties about the interpretation and implementation of those laws and regulations exist. These uncertainties may impede our ability to enforce the contracts we have entered into with our clients, suppliers and other business partners, and may limit legal protections available, which may result in a material adverse effect on our business, financial position, results of operations and prospects.

Our Articles of Association provide that disputes between holders of the H Shares and our Company, our Directors, Supervisors or senior management or holders of Domestic Shares, arising out of any rights or obligations conferred or imposed upon us by our Articles of Association, the PRC Company Law and related rules and regulations concerning our affairs, are to be resolved through arbitration. A claimant may elect to submit a dispute to either the China International Economic and Trade Arbitration Commission or the Hong Kong International Arbitration Center in accordance with their applicable rules. Pursuant to the Arrangement on the Mutual Enforcement of Arbitration Awards between the Mainland and the Hong Kong Special Administrative Region (關於內地與香港特別行政區相互執行仲裁裁決的安排), awards that are made by the PRC arbitral authorities under the PRC Arbitration Law (中華人民共和國仲裁法) can be recognised and enforced by Hong Kong courts. Our Articles of Association further provide that any arbitral award will be final, conclusive and binding on all parties. Hong Kong arbitration awards pursuant to the Arbitration Ordinance of Hong Kong (香港仲裁條例) may be recognised and enforced by PRC courts, subject to the satisfaction of certain PRC legal requirements. However, no assurance can be given as to the outcome of any action brought in the PRC by any holder of H Shares to enforce a Hong Kong arbitral award made in favour of holders of H Share,

Payment of dividends may be subject to restrictions under PRC law.

Under PRC law, dividends may be paid only out of distributable profits. Distributable profits are our net profit as determined under PRC GAAP or IFRSs, whichever is lower, minus any recovery of accumulated losses, and appropriations to statutory and other provident funds that we are required to make. As a result, we may not have sufficient or any distributable profits to be able to make dividend distributions to our shareholders in the future, particularly including periods for which our financial statements indicate that our operations have been unprofitable. Any distributable profits that are not distributed in a given year are retained and available for distribution in subsequent years. Under the current PRC tax laws, regulations and applicable tax treaties, the payment of dividends to a non-PRC resident shareholder is subject to withholding tax.

It may be difficult to enforce any judgments obtained in the courts outside the PRC against us, our Directors, our Supervisors or our senior management members who live in China.

Substantially all of our Directors, Supervisors and senior management members reside in China and substantially all of our assets and the assets of such persons are located in China. Accordingly, it may be difficult for investors to effect service of process from outside China upon us or those persons. In addition, enforcement of foreign judgments in the PRC involves uncertainty. If there exists a treaty between an overseas jurisdiction and the PRC or a foreign jurisdiction previously recognised a similar judgment by a PRC court, the judgment made in the jurisdiction might be recognised and enforced in the PRC. In addition, recognition and enforcement in the PRC of judgments of certain overseas courts in relation to any matter not subject to a binding jurisdiction provision may be difficult or impossible.

RISKS RELATING TO THE [REDACTED]

There has been no prior public market for our H Shares. The trading volume and market price of our H Shares following the* [REDACTED] *may be volatile.

Prior to the [**REDACTED**], there was no public market for our H Shares. The initial [**REDACTED**] range for our H Shares was recognised after negotiations between us (on behalf of ourselves and the Selling Shareholders) and the Joint Global Coordinators on behalf of the Underwriters, and the [**REDACTED**] may differ significantly from the market price for our H Shares following the [**REDACTED**]. We have applied to list and deal in our H Shares on the Hong Kong Stock Exchange. However, the [**REDACTED**] does not guarantee that an active and highly liquid public trading market for our H Shares will develop. In addition, the price and trading volumes of the H Shares may be volatile. Factors such as variations in our revenue, earnings and cash flows or any other developments of our Company may affect the volume and price at which the H Shares will be traded.

Future sales or perceived sales or conversion of substantial amounts of our Shares in the public market could have a material adverse effect on the prevailing market price of our H Shares, and may result in dilution of your interests.

The market price of our H Shares could decline as a result of future sales of substantial amounts of our H Shares or other securities relating to our H Shares in the public market or the issuance of new H Shares or other securities, or the perception that such sales or issuances may occur. Future sales, or perceived sales, of substantial amounts of our securities, including any future offerings, could also materially and adversely affect our ability to raise capital in the future at a time and at a price which we deem appropriate. In addition, our shareholders may experience dilution in their shareholdings to the extent we issue additional securities in future offerings. A certain amount of our Shares currently outstanding will be subject to contractual and/or legal restrictions on resale for a period of time after completion of the [**REDACTED**]. After these restrictions lapse or if they are waived or breached, future sales, or perceived sales of substantial amounts of our Shares, or the possibility of such sales, could negatively impact the market price of our H Shares and our ability to raise equity capital in the future.

In addition, subject to the approval of the State Council securities regulatory authority, all of our Domestic Shares may be converted into H Shares and such converted Shares may be listed or traded on an overseas stock exchange. Any listing or trading of the converted Shares on an overseas stock exchange shall also comply with the regulatory procedures, rules and requirements of such stock exchange. No general meeting for class shareholder voting is required for the listing and trading of the converted Shares on an overseas stock exchange. However, the Company Law provides that in relation to the public offering of a company, the shares of that company which are issued prior to the public offering shall not be transferred within one year from the date of the listing. Therefore, upon obtaining the requisite approval, Domestic Shares currently held by our domestic shareholders may be traded, after the conversion, in the form of H Shares on the Hong Kong Stock Exchange after one year of the [**REDACTED**], which could further increase the supply of our H Shares in the market and could negatively impact the market price of our H Shares.

There can be no assurance if and when we will pay dividends in the future.

Our ability to pay dividends will depend on whether we are able to generate sufficient earnings. Distribution of dividends shall be formulated by our Board at their discretion and will be subject to shareholders' approval. A decision to declare or to pay any dividends and the amount of any dividends paid will depend on various factors, including, but not limited to, our results of operations, cash flows and financial position, operating and capital expenditure requirements, distributable profits as determined under PRC GAAP or IFRSs (whichever is lower), our Articles of Association, the Company Law and any other applicable PRC law and regulations, market conditions, our strategic plans and prospects for business development, contractual limits and obligations, payment of dividends to us by our operating subsidiaries, taxation, regulatory restrictions and any other factors determined by our Board of Directors from time to time to be relevant to the declaration or suspension of dividend payments. As a result, although we have paid dividends in the past, there can be no assurance whether, when and in what form we will pay dividends in the future. Subject to any of the above constraints, we may not be able to pay dividends in accordance with our dividend policy. Please refer to "Financial Information — Dividend Policy" in this [**REDACTED**] for more details of our dividend policy.

Because the initial public* [REDACTED] *per* [REDACTED] *is higher than the net tangible book value per H Share, the interests attributable to the purchasers of our H Shares in the* [REDACTED] *will experience immediate dilution.

The [**REDACTED**] of our H Shares is higher than the net tangible book value per Share of our H Shares immediately prior to the [**REDACTED**]. Therefore, purchasers of our H Shares in the [**REDACTED**] will experience an immediate dilution in pro forma net tangible assets value of HK$[**REDACTED**] per H Share held (assuming an [**REDACTED**] of HK$[**REDACTED**] per H Share, being the mid-point of our [**REDACTED**] range of HK$[**REDACTED**] to HK$[**REDACTED**] per H Share, and no exercise of the Over-allotment Option) and existing shareholders will receive an increase in the net tangible book value per Share of their H Shares. If we issue additional H Shares in the future, the interests attributable to the purchasers of our H Shares may experience further dilution.

The industry statistics and forward-looking information contained in this* [REDACTED] *may not be accurate, reliable or fair.

Statistics and other information relating to the PRC and our industry particularly contained in "Industry Overview" in this [**REDACTED**] have been compiled partly from various publicly available PRC official government publications as well as the industry report we commissioned from independent industry consultants. We believe that the sources of such information are appropriate sources and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. However, we cannot guarantee the quality of such source materials. Moreover, statistics derived from multiple sources may not be prepared on a comparable basis. None of the Company, Joint Sponsors, Joint Global Coordinators, Joint Bookrunners, Joint Lead Managers, Underwriters or any other persons or their respective directors, advisers or affiliates involved in the [**REDACTED**] has independently verified such information, and makes no representation as to the accuracy of such facts and statistics, which may not be consistent with other information compiled within or outside the PRC. Such information may not be complete or latest. As the way of collecting the information may contain faults or may not be effective, or there exist variations and other problems between information published and market practices, the industry information and statistics contained herein may not be accurate and should not be unduly relied upon when making decision on your investment in our Company or otherwise.

This [**REDACTED**] contains certain forward-looking statements and information relating to us and the subsidiaries comprising our Group that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. Such statements reflect the current views of our Company's management with respect to future events, operations, liquidity and capital resources, some of which may not materialise or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this [**REDACTED**].

In preparation for the [**REDACTED**], we have sought the following waivers from strict compliance with the relevant provisions of the Hong Kong Listing Rules:

MANAGEMENT PRESENCE

Pursuant to Rule 8.12 of the Hong Kong Listing Rules, our Company must have sufficient management presence in Hong Kong. This usually means that at least two of our executive Directors must be ordinarily resident in Hong Kong. Rule 19A.15 of the Hong Kong Listing Rules further provides that the requirement in Rule 8.12 may be waived by the Hong Kong Stock Exchange at its discretion.

The headquarters and most of the existing businesses of our Company are located in the PRC. For the purposes of the management and operations of our Company, the appointment of additional executive Directors who are ordinarily resident in Hong Kong would not only increase the administrative expenses of our Company, but is also unduly burdensome and impracticable in accordance with our Company's established and contemplated development strategies, and will reduce the effectiveness and responsiveness of the Board in making decisions for our Group. Therefore, our Company currently does not, and in the foreseeable future will not, have executive Directors who are ordinarily resident in Hong Kong. Currently, both of our executive Directors, Mr. Wang Hanjun and Mr. Li Guoqing, are ordinarily resident in the PRC.

Accordingly, we have applied to the Hong Kong Stock Exchange for a waiver from the strict compliance with Rule 8.12 and Rule 19A.15 of the Hong Kong Listing Rules. We have made the following arrangements in order to maintain effective communication between the Hong Kong Stock Exchange and us:

- we have appointed Mr. Wang Hanjun, one of our Company's executive Directors, and Mr. Xuan Wenchang, one of our joint company secretaries and the board secretary of the Company, who are both PRC residents, as our authorised representatives and they will serve as our Company's principal channel of communication with the Hong Kong Stock Exchange. Each of our authorised representatives will be readily available to meet with the Hong Kong Stock Exchange in Hong Kong within a reasonable timeframe upon request and will be readily contactable by telephone, facsimile or email;

- we have provided the authorised representatives and the Hong Kong Stock Exchange with the contact details of each Director, including their office and mobile phone numbers, facsimile numbers and email addresses. Both of our authorised representatives have means of contacting all Directors (including the independent non-executive Directors) promptly at all times as and when the Hong Kong Stock Exchange wishes to contact the Board on any matters;

- each of the Directors who is not ordinarily resident in Hong Kong possesses valid travel documents to visit Hong Kong and will be able to meet with the Hong Kong Stock Exchange in Hong Kong within a reasonable period, when required;

- we have appointed First Shanghai Capital Limited as our compliance advisor, which will have access at all times to our authorized representatives, Directors and other officers and will serve as an additional channel of communication of our Company with the Hong Kong Stock Exchange from the Listing Date to the date when our Company distributes our annual report for the first full financial year immediately after the H Share Listing; and

- in the event that a Director expects to travel and be out of office, he shall provide the phone number of the place of his accommodation to our authorized representatives.

APPOINTMENT OF JOINT COMPANY SECRETARIES

Pursuant to Rule 8.17 of the Hong Kong Listing Rules, we must appoint a company secretary who satisfies Rule 3.28 of the Hong Kong Listing Rules. According to Rule 3.28 of the Hong Kong Listing Rules, we must appoint an individual as our company secretary who, by virtue of his academic or professional qualifications or relevant experience, is, in the opinion of the Hong Kong Stock Exchange, capable of discharging the functions of company secretary.

Note 1 to Rule 3.28 of the Hong Kong Listing Rules sets out the academic and professional qualifications considered to be acceptable by the Hong Kong Stock Exchange:

(a) a member of The Hong Kong Institute of Chartered Secretaries;

(b) a solicitor or barrister (as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong)); and

(c) a certified public accountants (as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong)).

Note 2 to Rule 3.28 of the Hong Kong Listing Rules sets out the factors that the Hong Kong Stock Exchange considers when assessing an individual's "relevant experience":

(a) length of employment with the issuer and other issuers and the roles he played;

(b) familiarity with the Hong Kong Listing Rules and other relevant law and regulations including the SFO, Companies Ordinance, and the Takeovers Code;

(c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Hong Kong Listing Rules; and

(d) professional qualifications in other jurisdictions.

We have appointed Mr. Xuan Wenchang as one of our joint company secretaries. Mr. Xuan Wenchang joined our Company in 2008 and has served as the deputy chief accountant and the head of the Listing Preparation Office of our Company since June 2008 and August 2011, respectively. He is very familiar with both the board and corporate governance practices of our Company and is now a person-in-charge of the Listing Preparation Office which was established in preparation for the H Shares Listing. However, Mr. Xuan Wenchang does not possess the specified qualifications required by Rule 3.28 of the Hong Kong Listing Rules. Given the important role the company secretary is to play in the corporate governance of a listed issuer, particularly in assisting the listed issuer as well as its directors in complying with the Hong Kong Listing Rules and other relevant laws and regulations, we have made the following arrangements:

- we have appointed Ms. Kwong Yin Ping, who meets the requirements under Note 1 to Rule 3.28 of the Hong Kong Listing Rules, as the other joint company secretary to communicate regularly with Mr. Xuan Wenchang on matters relating to the Hong Kong Listing Rules as well as other applicable laws and regulations, and inform Mr. Xuan Wenchang on a timely basis of any amendments to the Hong Kong Listing Rules and any new or amended laws, regulations and codes that are applicable to our Company. Ms. Kwong Yin Ping will also work closely with and provide assistance to Mr. Xuan Wenchang in the discharge of his duties as a company secretary for an initial period of three years commencing from the Listing Date so as to enable Mr. Xuan Wenchang to acquire the relevant experience (as required under Note 2 to Rule 3.28 of the Hong Kong Listing Rules) to discharge the duties and responsibilities as our company secretary;

- Mr. Xuan Wenchang will also be assisted by our compliance adviser, particularly in relation to corporate governance practices and ongoing compliance with the Hong Kong Listing Rules and the applicable laws and regulations;

- both of Mr. Xuan Wenchang and Ms. Kwong Yin Ping will complete the required professional training in accordance with Rule 3.29 of the Hong Kong Listing Rules; and

- upon expiry of the three-year period, the qualifications and experience of Mr. Xuan Wenchang will be re-evaluated. Mr. Xuan Wenchang is expected to demonstrate to the Hong Kong Stock Exchange's satisfaction that he, having had the benefit of Ms. Kwong Yin Ping's assistance for three years, would then have acquired the "relevant experience" within the meaning of Note 2 to Rule 3.28 of the Hong Kong Listing Rules.

We have applied to the Hong Kong Stock Exchange for a waiver from the strict compliance with the requirements of Rule 3.28 and Rule 8.17 of the Hong Kong Listing Rules. Upon the expiry of the initial three-year period, the qualifications of Mr. Xuan Wenchang will be re-evaluated to determine whether the requirements as stipulated in Note 2 to Rule 3.28 of the Hong Kong Listing Rules can be satisfied. In the event that Mr. Xuan Wenchang has obtained the "relevant experience" under Note 2 to Rule 3.28 of the Hong Kong Listing Rules at the end of the said initial three-year period, the above joint company secretaries arrangement would no longer be necessary.

CONNECTED TRANSACTIONS

Members of our Group have entered into, and are expected to continue after the H Share Listing, certain transactions, which will constitute non-exempt continuing connected transactions under the Hong Kong Listing Rules upon the H Share Listing. We have applied to the Hong Kong Stock Exchange for a waiver pursuant to Rule 14A.42(3) of the Hong Kong Listing Rules from the strict compliance with the announcement and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules. The details of such non-exempt continuing connected transactions and corresponding waivers are set out in "Connected Transactions" in this [**REDACTED**].

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

DIRECTORS

Name	Address	Nationality
Non-executive Directors		
Wang Liping (王麗萍) (formerly known as Wang Liping (王立平))	201, Gate 6, 3rd Floor Mudanyuan Dongli Haidian District Beijing PRC	Chinese
Xu Jianyun (徐賤雲)	1102, Block 4, Building 2 Huahugou Community 2 Chengqing Street Haidian District Beijing PRC	Chinese
Chen Daihua (陳代華)	2, Block 2, 5th Floor Zhuan Jiao Lou Bei Li Chaoyang District Beijing PRC	Chinese
Hao Weiya (郝偉亞)	Unit 502, Gate 1 128 Nanhu Zhongyuan No. 1 Community Chaoyang District Beijing PRC	Chinese
Su Bin (蘇斌)	101, 6th Floor, Gate 3, Building No. 10 Dao Xiang Yuan Haidian District Beijing PRC	Chinese
Kong Lingbin (孔令斌)	33, Xianhutong Fengtai Town Fengtai District Beijing PRC	Chinese

Name	Address	Nationality
Executive Directors		
Wang Hanjun (王漢軍)	1609, Gate 1, 3rd Floor Zhuan Jiao Lou Nan Li Chaoyang District Beijing PRC	Chinese
Li Guoqing (李國慶)	E-1601 9 Chegongzhuang Avenue Xicheng District Beijing PRC	Chinese
Independent Non-executive Directors		
Zhang Fengchao (張鳳朝)	301, Block 16 14 Lixuehutong Xicheng District Beijing PRC	Chinese
Yim Fung (閻峰)	Flat A, 23/Floor, Block 7, One Silver Sea No.18. Hoi Fai Road Kowloon Hong Kong	Chinese
Sun Maozhu (孫茂竹)	1005, Block 2, Building 11 Shiyu Yuan, Century City Haidian District Beijing PRC	Chinese
Liang Qinghuai (梁青槐)	463, 5th Floor 3 Shangyuancun West Haidian District Beijing PRC	Chinese

SUPERVISORS

Name	Address	Nationality
Yao Guanghong (姚廣紅)	No. 2008, Building 1 Yard No. 8 Lianhuachixilu Haidian District Beijing PRC	Chinese
Nie Kun (聶菎)	Room 601, Gate 3, 3rd Floor Qinghe 19 Dormitory Haidian District Beijing PRC	Chinese
Li Wenhong (李文鴻)	Room 2006, No. 16 Building Fulaiyin Garden Chongwen District Beijing PRC	Chinese
Chen Rui (陳瑞)	5A, Unit 4, Building 4, Lanyi House Tinglan Luxie Garden (Ruihe Yena) Nanshan District Shenzhen PRC	Chinese
Ren Chong (任崇)	1 Guanzhuang Dongli Chaoyang District Beijing PRC	Chinese
Mi Jianzhou (彌建洲)	No. 161, Gate 1 10/F, Huajiadinanli Chaoyang District Beijing PRC	Chinese
Zhang Wei (張巍)	502, Gate 3, Building No. 5 Dongan Street Line 1 Fengtai Town Fengtai District Beijing PRC	Chinese
Wang Jingang (王金剛)	Room 702, Gate 12, Building 6 West Fangcaodi Street Chaoyang District Beijing PRC	Chinese

Name	Address	Nationality
Wang Wenjiang (王文江)	802, 8th Floor, Building No. 20 Madian Nancun Xicheng District Beijing PRC	Chinese
Zhang Junming (張俊明)	1006, Building No. 31 Suojiafen Community Haidian District Beijing PRC	Chinese
Zuo Chuanchang (左傳長)	106, Building No. 10 Beiyingfang Dongli Xicheng District Beijing PRC	Chinese

Please refer to "Directors, Supervisors, Senior Management and Employees" in this [**REDACTED**] for further details of our Directors and Supervisors.

PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Sponsors	**UBS Securities Hong Kong Limited** 42/F, One Exchange Square 8 Connaught Place Central Hong Kong
	CITIC Securities Corporate Finance (HK) Limited 26/F, CITIC Tower 1 Tim Mei Avenue Central Hong Kong
Joint Global Coordinators	[**REDACTED**]
Joint Bookrunners and Joint Lead Managers	[**REDACTED**]

Legal Advisors to the Company	*As to Hong Kong law and United States law* **Linklaters** 10th Floor, Alexandra House 18 Chater Road Central Hong Kong *As to PRC law* **Haiwen & Partners** 20/F, Fortune Financial Center 5 Dong San Huan Central Road Chaoyang District Beijing PRC
Legal Advisors to the Joint Sponsors and the Underwriters	*As to Hong Kong law and United States law* [**REDACTED**] *As to PRC law* [**REDACTED**]
Reporting Accountants and Independent Auditors	**Ernst & Young** *Certified Public Accountants* 22/F, CITIC Tower 1 Tim Mei Avenue Central Hong Kong
Receiving Bank	[**REDACTED**]
Compliance Advisor	**First Shanghai Capital Limited** 19/F., Wing On House 71 Des Voeux Road Central Central Hong Kong

CORPORATE INFORMATION

Registered Office and Head Office in the PRC	5 Fuchengmen North Street Xicheng District Beijing PRC
Principal Place of Business in Hong Kong	18/F, Tesbury Centre 28 Queen's Road East Wanchai Hong Kong
Company's Website	**www.bjucd.com** (This website and the information contained on this website do not form part of this [**REDACTED**])
Joint Company Secretaries	Mr. Xuan Wenchang Wenhua Hutong No. 19 Xicheng District Beijing PRC Ms. Kwong Yin Ping *(a member of the Hong Kong Institute of Chartered Secretaries)* Flat A 15/F Block 2 7 Tai Hang Road Causeway Bay Hong Kong
Authorised Representatives	Mr. Wang Hanjun 1609, Gate 1, 3rd Floor Zhuan Jiao Lou Nan Li Chaoyang District Beijing PRC Mr. Xuan Wenchang Wenhua Hutong No. 19 Xicheng District Beijing PRC
Audit Committee	Mr. Sun Maozhu *(Chairman)* Mr. Liang Qinghuai Mr. Hao Weiya

Nomination Committee	Mr. Zhang Fengchao *(Chairman)* Mr. Liang Qinghuai Ms. Wang Liping
Remuneration Committee	Mr. Yim Fung *(Chairman)* Mr. Sun Maozhu Mr. Su Bin
H Share Registrar	[**REDACTED**]
Principal Bankers	China Construction Bank (Beijing Branch, Beihuan Sub-branch) 18 Bei Taipingzhuang Road Haidian District Beijing PRC

The information and statistics set out in this section and other sections of this [**REDACTED**] *were extracted from different official government publications, available sources from public market research and other sources from independent suppliers. In addition, we engaged CCID Consulting Company Limited for preparing an independent industry report in respect of the* [**REDACTED**]. *We believe that the sources of such information and statistics are appropriate and we have taken reasonable care in extracting and reproducing such information and statistics. We have no reason to believe that such information and statistics are false or misleading in any material respect or that any part of the information has been omitted rendering such information false or misleading. The information and statistics have not been independently verified by the Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any other persons involved in the* [**REDACTED**] *or their respective directors, advisers and affiliates. Therefore, the Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any other persons involved in the* [**REDACTED**] *or their respective directors, advisers or affiliates make no representation as to the correctness or accuracy in respect of the information and statistics set out in this* [**REDACTED**]. *The reliability of CCID Consulting's industry report may be affected by the accuracy of the relevant assumptions and factors considered by CCID Consulting for the forecast of the industry trends, length in operation and total investment amount of the PRC urban rail transit industry. The information set out in this section should not be unduly relied upon as the information and statistics may be inaccurate, incomplete, outdated or inconsistent with the other information prepared inside or outside the PRC.*

CCID CONSULTING

In order to facilitate the [**REDACTED**], we have appointed an independent third party, CCID Consulting, to prepare a report regarding the urban rail transit industry in China for the purpose of this [**REDACTED**]. CCID Consulting provides consulting services in China. Headquartered in Beijing, it is listed on the Growth Enterprise Market of the Hong Kong Stock Exchange. CCID Consulting prepared its report based on the national statistics information, statistics of relevant government departments and industry associations and relevant national and local policies as well as its independent analysis on the relevant information. The total consideration that we paid to CCID Consulting for preparing and issuing the report was RMB330,000, and we paid the consideration regardless of the analysis results.

The factors that were considered by CCID Consulting for the forecast of the industry trends and total investment amount of the PRC urban rail transit industry include (i) the cycle from investment to operation and investment scale of urban rail transit project; (ii) the development of urban rail transit in China in recent years; (iii) urban rail transit projects constructed and to be constructed; (iv) construction plans of the urban rail transit projects approved and being prepared; and (v) construction plans of the urban rail transit projects in Beijing. The forecast of the operating lengths in operation and investment of urban rail transit in China by CCID Consulting was based on certain assumptions, including (i) the expected growth rate of China's economy and GDP; (ii) stable urbanisation policies and sustainable development of urbanisation in China; and (iii) sustainable development of urban rail transit in China within the forecast period as well as other factors regarding the operation strategies and investment amount of urban rail transit in China. Our Directors and the Joint Sponsors have exercised reasonable care in reviewing and discussing with CCID Consulting on such assumptions and factors, and believe that, to their satisfactions, there is no misleading information or material omission in disclosing such information.

ECONOMIC DEVELOPMENT IN THE PRC

Gross Domestic Product ("GDP")

The PRC economy has experienced rapid growth since the implementation of the reforming and open policy in the 1970s. From 2008 to 2013, the PRC's GDP increased from RMB31.40 trillion to RMB56.88 trillion. During the same period, China had an average annual real GDP growth rate of 9.0%. China became the second largest economy in the world in 2010.

Total fixed asset investment and urbanisation

According to National Bureau of Statistics of China, PRC's total fixed asset investment has been growing steadily from 2008 to 2013, reaching RMB44.71 trillion in 2013, more than doubling the investment amount in 2008. Meanwhile, the PRC's urbanisation level has been increasing since the implementation of the urbanisation strategies set out by the Outline of the Tenth Five-Year Plan of the PRC in 2001. From 2008 to 2013, the PRC's urbanisation rate increased at an average rate of 1.4 percentage points per annum and reached 53.7% in 2013.

THE URBAN RAIL TRANSIT INDUSTRY IN THE PRC

Overview

The transportation industry is fundamental to the PRC national economy and its social development. Currently, transportation in the PRC is mainly categorised into: highways, railways, waterways, civil aviation and urban rail transit, among which, urban rail transit refers to fixed guideway rail transit system. Urban rail transit carries a large passenger capacity (measured by number of passengers) by way of trams or single train on enclosed or partially enclosed railway developed according to the general urban transportation planning in a city.

Length in operation breakdown of each type of the urban rail transit in the PRC as of 31 December 2013

Category	Length in operation (km)	%
Subway	2,073	75.5%
Light rail	233	8.5%
Monorail	75	2.7%
Modern tram	108	3.9%
Maglev system	30	1.1%
Urban rail rapid transit	227	8.3%
Total	2,746	100.0%

Source: China Association of Metros

It takes a long period to implement a urban rail transit project from planning to operation. The applicable criteria and investment per km for each type of urban rail transit may vary. The following table sets forth the applicable criteria and investment per km of major urban rail transit system in the PRC:

Type	Applicable Criteria	Investment per km
Subway	The fiscal budget of the local government generally over RMB10 billion, GDP over RMB100 billion, urban population over 3 million and the planned peak hour monotonous passenger traffic over 30,000 per hour.	RMB500–700 million per km
Light Rail	The fiscal budget of the local government generally over RMB6 billion, GDP over RMB60 billion, urban population over 1.5 million and the planned peak hour monotonous passenger traffic over 10,000 per hour.	RMB130–240 million per km
Tram	No requirement stipulated	Approximately RMB100 million per km

Source: The "Notice Regarding Enhancing the Construction Management of Urban Rapid Rail Transportation" promulgated by the General Office of the State Council; and CCID Consulting

Passenger Traffic of Urban Rail Transit

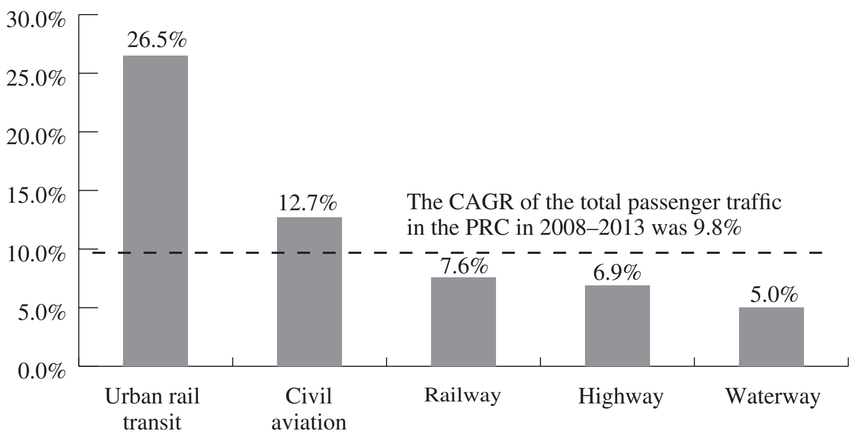
The passenger traffic of urban rail transit in the PRC increased to 10.91 billion in 2013 from 3.37 billion in 2008, representing a CAGR of 26.48%. Among all types of transportation in the PRC, urban rail transit has the fastest growth in terms of the passenger traffic. The following table sets forth the total passenger traffic and the passenger traffic of urban rail transit in the PRC for the periods indicated:

	2008	2009	2010	2011	2012	2013	CAGR
Total passenger traffic* (billion people)	32.05	33.43	38.26	42.40	46.74	51.10	9.8%
Among which:							
Passenger traffic of urban rail transit (billion people)	3.37	3.66	5.57	7.13	8.70	10.91	26.48%
% of total passenger traffic	10.5%	10.9%	14.6%	16.8%	18.6%	21.4%	NA

Source: National Bureau of Statistics; and CCID Consulting

Note: * The total passenger traffic includes the passenger traffic of highway, railway, water way, civil aviation and urban rail transit.

The CAGR of the passenger traffic in each type of transportation in the PRC in 2008–2013

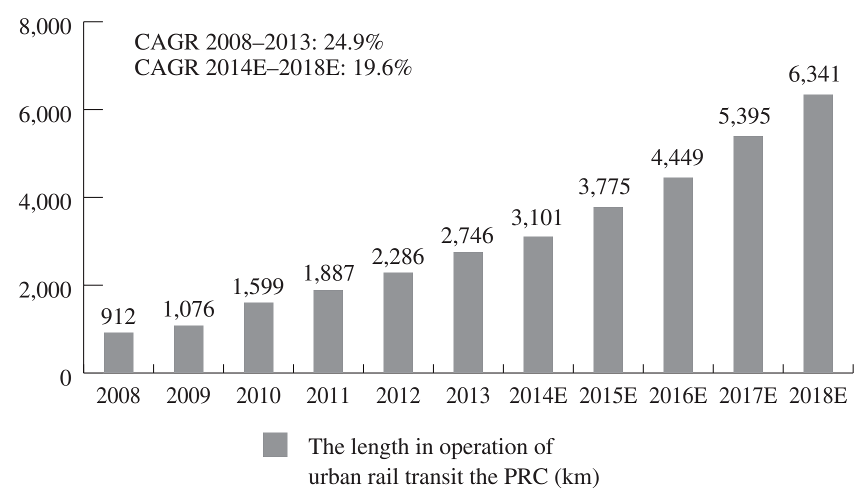


Source: National Bureau of Statistics

The Length in Operation and Investment Amount of Urban Rail Transit

The following diagram illustrates the historical and forecasted length in operation for the urban rail transit in the PRC:

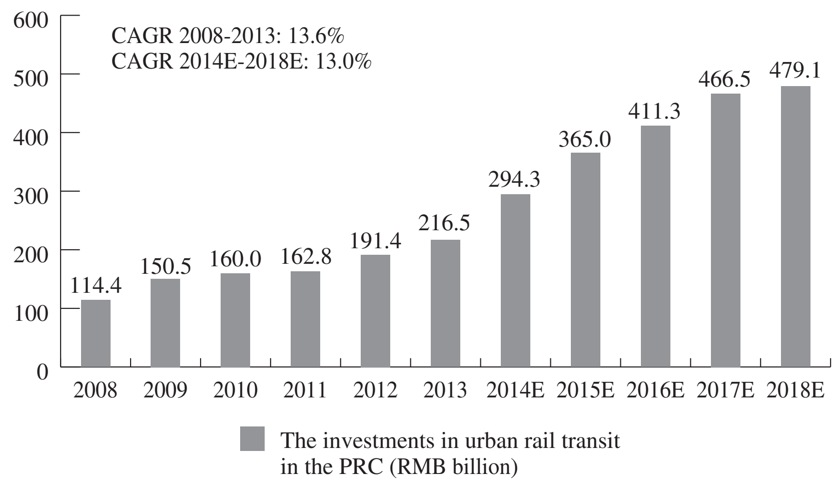
Length in operation of the Urban Rail Transit in the PRC in 2008–2018E



Source: Statistics for 2008–2013 are provided by China Association of Metros, while statistics for 2014–2018 are provided by CCID Consulting

From 1 January 2012 to 31 December 2013, the NDRC approved 40 urban rail transit projects in 32 cities with a total length of 2,318.0 km which is expected to involve a total investment of RMB1.40 trillion. In addition, over 40 cities are currently in the preparation of urban rail transit planning for the approval of construction. The following diagram sets out the historical and forecasted investment in urban rail transit in the PRC for the periods shown:

The Investments in urban rail transit in the PRC from 2008 to 2018



Source: *The statistics for 2008–2010 are collected by CCID Consulting from public resources, the statistics for 2011–2013 are from China Association of Metro and the statistics for 2014–2018 are based on CCID Consulting's interim forecast*

The development of urban rail transit of various cities in the PRC

As at 31 December 2013, there were 92 completed rail lines in operation in 19 cities in the PRC, with a total length of 2,746 km. The following table illustrates the statistics of the length in operation of the urban rail transit in the PRC as at 31 December 2013:

No.	City	Number of lines in operation	Total length in operation (km)
1	Shanghai	17	627
2	Beijing	18	542
3	Guangzhou	9	239
4	Shenzhen	5	179
5	Chongqing	4	170
6	Chengdu	4	144
7	Tianjin	5	139
8	Dalian	5	127
9	Shenyang	6	114
10	Nanjing	3	81
11	Wuhan	3	72
12	Suzhou	2	58
13	Changchun	3	56
14	Hangzhou	1	48

No.	City	Number of lines in operation	Total length in operation (km)
15	Xi'an	2	46
16	Kunming	2	40
17	Zhengzhou	1	26
18	Foshan	1	21
19	Harbin	1	17
	Total	92	2,746

Source: China Association of Metros

As at 31 December 2013, NDRC had approved urban rail transit projects for 36 cities in the PRC and 43 other cities such as Xining, Zhuhai, Wenzhou have completed or commenced urban rail transit planning. The total planned length of the aforesaid 79 cities is expected to reach 13,385 km by 2020. The table below shows the statistics on implementation of rail transit development in the PRC in 2014.

Planned total length (km)	Approved length (km)	Length in operation (km)	Length under construction (km)	Length not approved but planned to construct (km)
(A)=(B)+(E)	(B)=(C)+(D)	(C)	(D)	(E)
13,385	6,638	2,746	3,892	6,747

Source: China Association of Metros, NDRC, CCID Consulting

Beijing is one of the fastest developing cities in terms of urban rail transit development. According to the Beijing Urban Rail Transit Construction Plan 2007–2015 (《北京市城市快速軌道交通近期建設規劃2007–2015年》), the rail transit construction of "Three Rings, Four Horizontals, Five Verticals and Seven Rays" in Beijing will be completed by 2015, with the number of total rail lines reaching 19. According to the Beijing Subway Plan (2013–2020) (《北京軌道交通建設規劃(2013–2020年)》), which is in preparation, the total length in operation of Beijing's urban rail transit is expected to reach 1,000 km by 2020, with daily average passenger traffic up to 22 million.

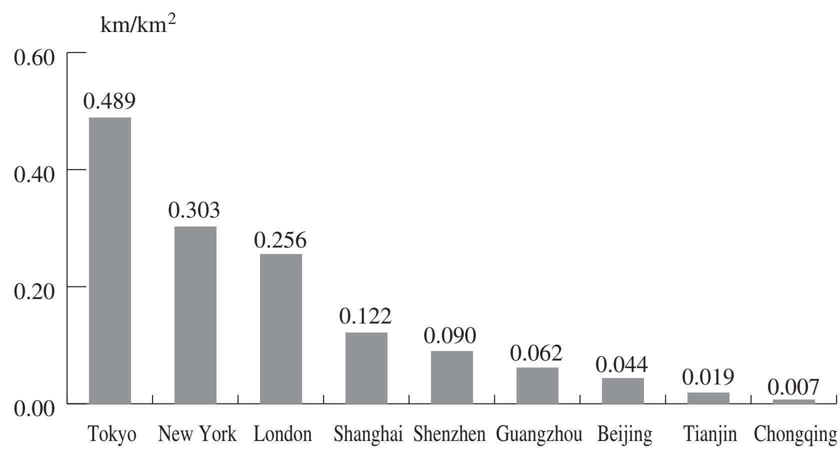
Comparison of rail transit density among the world's major cities

Currently, Shanghai and Beijing have the world's largest and second largest urban rail transit networks in terms of scale, but the density of urban rail transits[5] in major foreign cities are significantly

[5] Density of urban rail transit = Operating length of urban rail transit/areas of administrative region

higher than that of the cities in the PRC. The following chart sets out comparison of urban rail transit density among the world's major cities in 2013:

Comparison of urban rail transit density among global major cities in 2013



Source: CCID Consulting

The key drivers for the urban rail transit industry

Strong government support

To promote the development of energy-saving and environmental friendly transportation and ease the pressure caused by traffic congestions in cities, the PRC adopted a series of policies to enhance the development of urban rail transit during the period of the 12th Five Year Plan. The following table shows the related policies recently launched by the PRC government.

Recent policies on urban rail transit industry

Year	Policies	Issuing Unit	Main Contents
2013	Opinions of the State Council on Strengthening Urban Infrastructure Construction (《國務院關於加強城市基礎建設的意見》)	State Council	To promote the construction of subways and light rails, etc. By 2015, the length in operation of urban rail transit in China will increase by 1,000 km.
2012	Guiding Opinions of the State Council on Giving Priority to Public Transportation in Urban Development (《國務院關於城市優先發展公共交通的指導意見》)	State Council	To prioritise and promote the development of public transportation including rail transit system in cities.

Year	Policies	Issuing Unit	Main Contents
2012	Plan for a Comprehensive Transportation System during the "12th Five-Year Plan" (《"十二五"綜合交通運輸體系規劃》)	NDRC	To develop rail transit systems including light rails, subways, trams, according to the scale and features of cities, and to gradually build rail transit network for cities with urban population over 10 million and the rail transit hubs for cities with urban population over 30 million.

Source: *CCID Consulting*

Effect of easing pressure caused by traffic congestions

As a result of rapid urbanisation, cities in the PRC are facing heavy traffic congestions due to a number of factors such as high concentration of urban population and the increasing number of private cars. Therefore, solving traffic congestions is one of the PRC government's priorities. At present, urban rail transit is considered an effective solution to transportation issues for easing pressure caused by traffic congestions due to its large capacity and high speed.

Energy saving and environmental protection

Air pollution is a serious problem in the PRC. Some cities have launched automobile emission control plans to deal with this problem (*e.g. Beijing Vehicle Emission Reduction Plan 2013–2017* (《北京市2013–2017年機動車排放污染控制工作方案》). Electricity-powered rail transit system has many benefits for the society, including less pollution and noise, energy saving, large capacity, convenience and efficiency.

Economic benefits

Development of urban railway transit facilitates the economic development of the areas along the rail line, which increases land value appreciation, improves the investment environment and boosts the overall competitiveness of the cities.

Urban Rail Transit Engineering and Construction Industry in the PRC

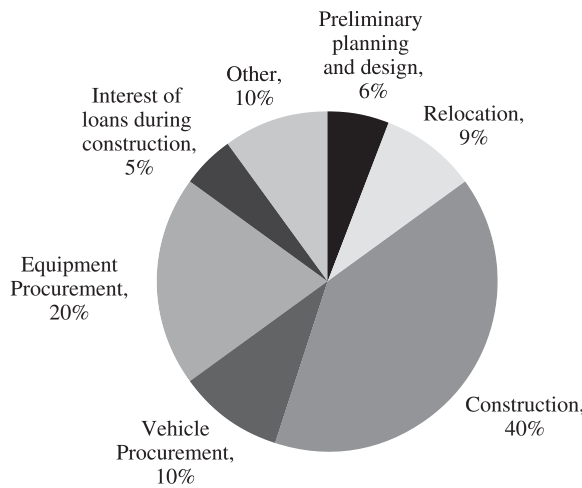
Overview

According to the general regulatory approval procedure of urban rail transit development in the PRC, a local government has to complete its urban rail transit development plan, submits it to the Provincial Development and Reform Committee for a preliminary review and then to the NDRC for formal approval. Only after obtaining NDRC's formal approval for the plan can the local government implement project financing and construction.

The development of urban rail transit requires considerable capital investment and a long period of three to five years. The entire value chain of such development includes stages such as preliminary planning, survey and design, construction, equipment and vehicle procurement and operation management. Currently, among the urban rail transit projects in the PRC, most design and survey, construction and equipment purchase are conducted through separate tendering processes, although general contracting models like EPC and investment models like BT and BOT are also increasingly common. According to CCID Consulting, cooperation to bid by way of formation of consortium, joint venture, etc. for urban rail transit construction projects is not an industry norm in the PRC, but may arise in very restricted circumstances. For normal construction contracting contracts, cooperation to bid normally will not be arranged if the bidder has all the licences or qualifications to bid.

The following chart illustrates the average capital spending of a typical urban rail transit project in the PRC.

The average capital spending % of a typical urban rail transit project



Source: CCID Consulting

Design, Survey and Consultancy Industry Overview

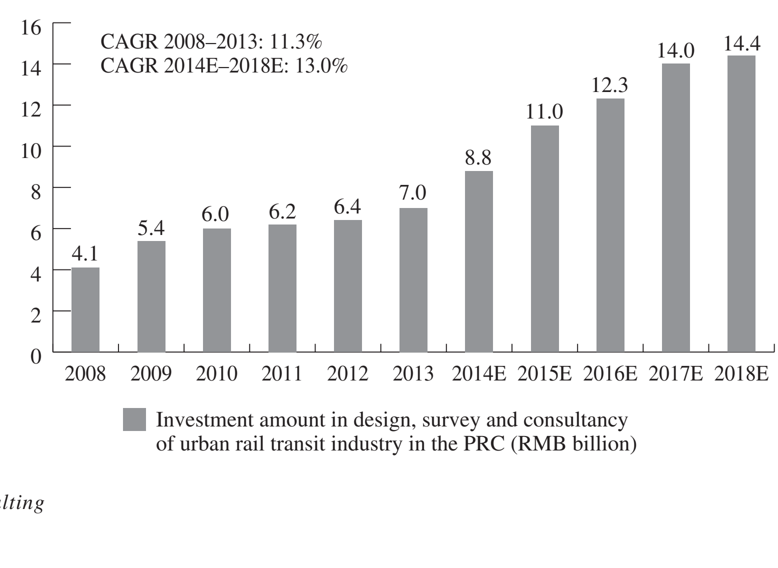
Introduction

Design, survey and consultancy services include route survey, project planning, construction planning, pre-feasibility study and feasibility study, overall design, preliminary design, and other consultancy businesses such as post-project assessment.

Scale of Investment

The following table illustrates the investment in the design, survey and consultancy sector in the PRC urban rail transit industry for the periods indicated:

Investment in design, survey and consultancy of urban rail transit industry in the PRC from 2008 to 2018



Source: CCID Consulting

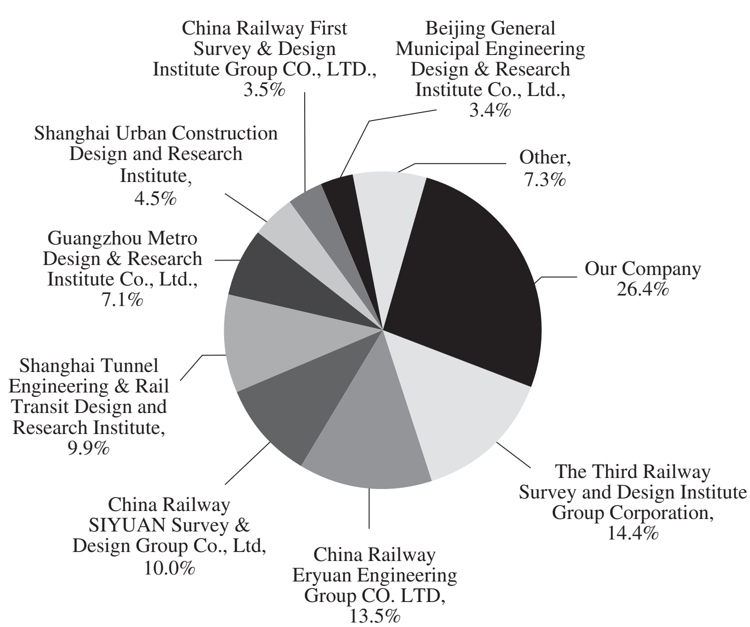
Key Players and Competition

Entry barriers to the design, survey and consultancy business of the PRC urban rail transit industry are relatively high and various qualifications relating to consultancy, design and survey are generally required. However, players face competitions from domestic and international rivals. Leveraging long operating history, extensive project expertise and experience, large talent pool and strong research capabilities, market leaders may exceed peers and be well positioned to capture opportunities in the market.

According to CCID Consulting, as at 31 December 2013, our Company provided urban rail transit general design services for a total of 726 km length in operation, representing 26.4% of the total length in operation of urban rail transit lines and ranking the first in the industry of China.

The following chart illustrates the leading players in terms of length in operation of urban tail transit lines under general design services in China as of 31 December 2013.

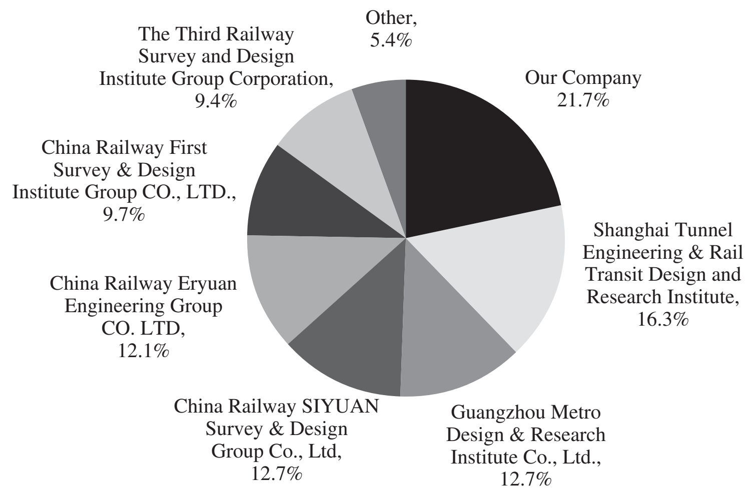
Market share in the provision of general design services by length of urban rail transit lines in operation as at 31 December 2013



Source: CCID Consulting

According to CCID Consulting, total new contract value of RMB8.27 billion was recorded in the design, survey and consultancy sector in the PRC urban rail transit industry in 2013, among which, the Company contributed approximately 21.7%, ranking the first among all its peers in China.

Market share in the provision of design, survey and consultancy services in the PRC urban rail transit industry by new contract value in 2013



Source: CCID Consulting

Construction Contracting Industry Overview

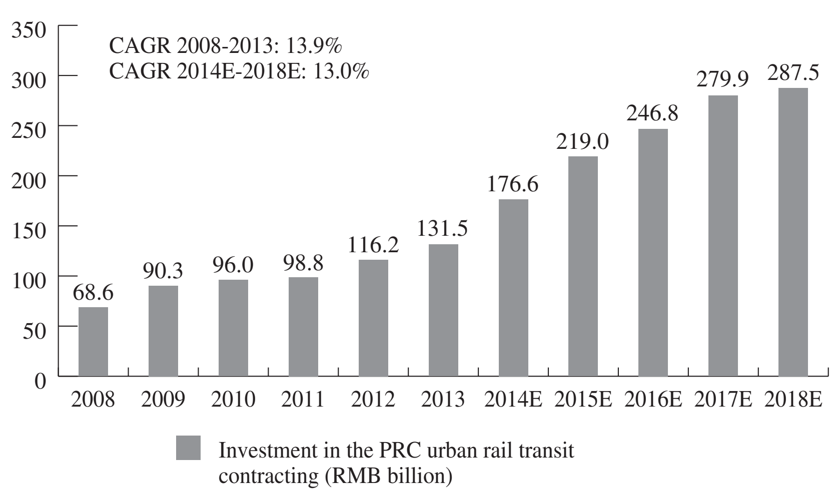
Introduction

Construction contracting generally means that the project owners appoints the construction contractor to undertake the whole contract from planning, design, survey and consultancy, procurement, construction, trial runs of the urban rail transit projects or certain other stages of the contracting process, as agreed in the contract. The major service model in the construction contracting industry of urban rail transit in China is construction and equipment installation.

Investment scale

The chart below sets forth the historical and forecasted investment of the construction contracting sector of the PRC urban rail transit industry in China for the periods indicated.

The investment amount in the construction contracting of PRC urban rail transit industry in the PRC from 2008 to 2018



Source: CCID Consulting

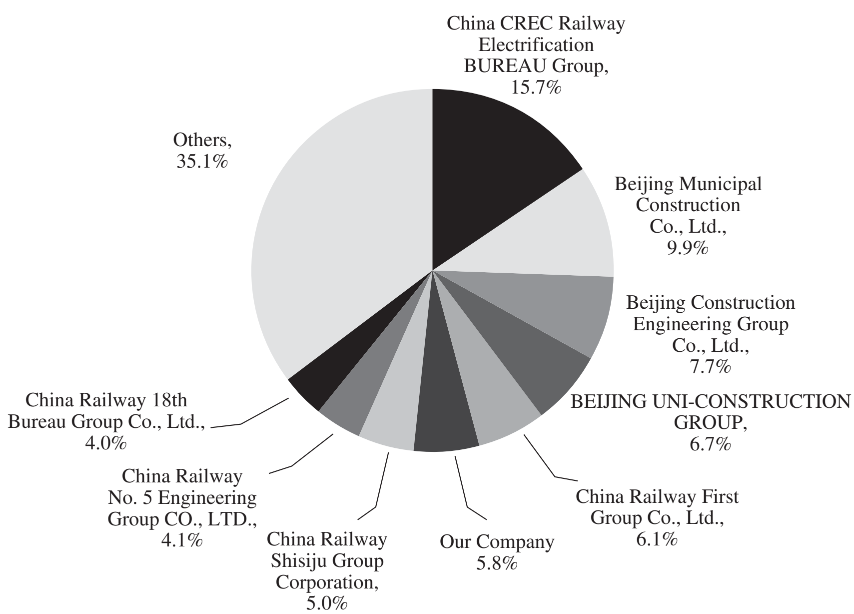
Key players and competition

As urban rail transit industry requires strict qualifications and significant capital investment, the participants in the construction contracting sector in the PRC urban rail transit industry are mostly major State-owned enterprises, including construction subsidiaries of China Railway Group Limited (中國中鐵), China Railway Construction Corporation (中國鐵建) and regional urban rail transit construction companies.

According to CCID Consulting, a total new contract value of RMB149.3 billion was recorded in the construction contracting sector of the PRC urban rail transit industry in 2013, of which new contract value related to the Company's business was approximately 1.3%.

According to China Association of Metros (中國城市軌道交通協會), Beijing is one of the regions with the fastest growth in urban rail transit. It completed the largest investment in urban rail transit in 2013 in China. According to CCID Consulting, a total new contract value of RMB32.82 billion was recorded in the construction contracting segment of the urban rail transit industry in Beijing in 2013, among which, the Company contributed approximately 5.8%, ranking the sixth among the players in Beijing.

Market share by new contract value of urban rail transit construction contracting in Beijing in 2013



Source: CCID Consulting

Future trends of the urban rail transit industry in China

Diversified development of urban rail transit

According to CCID Consulting, the diversified development of urban rail transit, light rail and tram are expected to be the two most popular mass transportation means after subways. Light rail and tram require relatively lower construction qualifications than subway, and do not require the central government's approval. Further, light rail and tram require less average investment per km than subway. Therefore, light rail and tram may bring opportunities for growth, especially in tier-2 and tier-3 cities in

China. Such opportunities will allow design and construction companies to adopt business models involving more innovative financing structures, such as BT or BOT, and tap into design and construction for light rail and tram systems.

Urban rail transit integration

To achieve better performance among urban rail transit systems, traditional urban public transportation (e.g, bus, ferry), individual transportation and inter-city transportation (*e.g.* railway, airplane), and to better connect urban rail transit with neighbouring buildings, the process of urban rail transit integration is expected to play a key role in the future development of the industry.

One of the main trends in urban rail transit integration is the planning of urban development through the construction of train stations in new districts. In such process, the design of buildings above train stations are expected to be integrated with the design and development of the buildings underground. The same integrated approach will also apply to the design and development of train stations and transportation hubs. The functions of train stations are also expected to be integrated with other city facilities. For example, the usage of the underground space of a railway station may also be integrated with the development of commercial real estate projects in the surrounding area. Such commercialised development of the underground space and anticipated increase in land value is expected to increase the profitability of the urban rail transit system and attract more private investment into the urban rail transit construction contracting business.

Construction financing

Following the PRC government's recent grant of approvals for more urban rail transit projects, many cities have commenced construction of urban rail transit systems. The MOHURD encourages engineering and construction companies with financing resources to implement the construction projects using models such as BT, BOT, BOO and BOOT. Currently, some urban rail transit projects in cities such as Beijing, Shenzhen, Nanjing and Chengdu have already adopted the BT and BOT models for construction. Tier-2 and tier-3 cities with limited financing resources will have greater needs to construct their urban rail transit systems with capital investment from the private sector. Therefore, according to CCID Consulting, it is believed that engineering and construction companies with strong capital resources and EPC contracting capabilities will gain more competitive advantages in the future.

No Material Adverse Change

As at the Latest Practicable Date, the Directors, after reasonable consideration, confirm that they were not aware of any adverse change to the market information since the date of the CCID Consulting Report which may qualify, contradict or have an impact on the information in this section.

HISTORY

We began operations in 1958 as a State-owned professional survey and design institute founded for the survey and design of Beijing Subway Line 1, China's first subway line. In 1983, our name was changed to Beijing Urban Construction Engineering Design Institute. Thereafter, we became an affiliate of Beijing Urban Construction Engineering Corporation, the predecessor of BUCG. In August 1990, our predecessor in the name of Beijing Urban Construction Engineering Design Institute was registered as an enterprise owned by the whole people (全民所有制企業). In June 1991, it was renamed as Beijing Urban Construction Design & Research Institute. In September 2001, it was converted into a limited liability company and renamed as Beijing Urban Construction Design & Research Institute Limited Liability Company. In December 2002, it was further renamed as Beijing Urban Construction Design & Research Institute Co., Ltd. On 28 October 2013, the Company was converted into a joint stock limited company and renamed as Beijing Urban Construction Design & Development Group Co., Limited.

Major Milestones in Our Corporate History

From August 1990 to October 2013, the Company increased its registered capital several times through merger, capitalisation of reserves, introduction of Strategic Investors and other means. The Reorganisation took place in December 2012 whereby BUCG transferred its urban rail transit construction contracting business and related assets to us at nil consideration. Following completion of the Reorganisation, our business is divided into two segments: design, survey and consultancy; and construction contracting. On 28 October 2013, the Company was converted into a joint stock limited company. Upon the conversion, the Company had a total of 920,000,000 issued shares at a par value of RMB1.00 per share with registered capital of RMB920 million. The major milestones in our corporate history are outlined as follows:

1983	Renamed as Beijing Urban Construction Engineering Design Institute.
1990	Registered as an enterprise owned by the whole people with a registered capital of RMB3.11 million, which was funded by Beijing Urban Construction Engineering Corporation and capitalisation of its reserves.
1991	Renamed as Beijing Urban Construction Design & Research Institute.
1996	Our registered capital increased from RMB3.11 million to RMB13.61 million and the increased capital was contributed fully in cash.
2001	Converted from an enterprise owned by the whole people into a limited liability company with an increase in registered capital from RMB13.61 million to RMB15 million, of which RMB9 million (representing 60% of the then total registered capital) was contributed by BUCG in the form of net assets. The Employee Shareholding Committee of Beijing Urban Construction Design & Research Institute Limited Liability Company (renamed subsequently as the Employee Shareholding Committee of Beijing Urban Construction Design & Research Institute Co, Ltd. in 2003; both herein referred to as "**ESC**") and six individual shareholders contributed a total of RMB6 million (representing 40% of the then total registered capital) in cash.

	BUCG set up an engineering department which contracts for and manages the general contracting business of BUCG.
2002	Renamed as Beijing Urban Construction Design & Research Institute Co., Ltd.
2003	The six individual shareholders transferred their equity interests, which amounted to an aggregate of 4.1% of the then total registered capital, to the ESC.
	Merged with Beijing Urban Construction Architecture Design & Research Institute Co., Ltd. by absorption. Our registered capital increased from RMB15 million to RMB23 million. Of the RMB8 million increased registered capital, BUCG contributed RMB4.08 million in the form of net assets and the ESC contributed RMB3.92 million in cash. Upon completion of the contributions, BUCG and ESC's total capital contribution amounted to RMB13.08 million and RMB9.92 million, representing approximately 56.87% and 43.13% of the total registered capital, respectively.
2005	BUCG further invested RMB5.11 million in cash and increased its total capital contribution to RMB18.19 million (representing 56.84% of the then total registered capital), and the ESC further invested RMB3.89 million in cash and increased its total capital contribution to RMB13.81 million (representing 43.16% of the then total registered capital), as a result of which our registered capital increased from RMB23 million to RMB32 million.
	BUCG obtained 60% equity interest of Xinjie Consulting from Beijing Urban Construction Engineering Institute. Xinjie Consulting was established on 2 January 2004 with a registered capital of RMB0.5 million. The registered capital of Xinjie Consulting was subsequently increased to RMB1 million. Its principal business is to conduct review of construction drawing and design documents for rail transit and related engineering.
	Our predecessor, Beijing Urban Construction Design & Research Institute Co., Ltd., acquired 55.964% equity interest in Exploration Institute at a consideration of approximately RMB6.13 million from BUCG through a bidding process in China Beijing Equity Exchange (CBEX) in March 2005.
2006	BUCG established construction contracting department No. 2 (subsequently renamed as the civil construction contracting department), which conducted construction contracting business for rail transit, municipal engineering and road related engineering.
2012	The ESC transferred its 43.16% equity interests to BUCG according to ESC's resolutions dated 12 January 2012 at a consideration of RMB100,338,000, which was determined based on the appraised value of the equity interests to the transferred as of 30 June 2011 as indicated in the valuation report issued by ZhongHe Appraisal Co., Ltd.

	Our registered capital increased from RMB32 million to RMB150 million through the capitalisation of RMB18.8 million surplus reserve and RMB99.2 million undistributed profits. After the capitalisation, the total capital contribution by BUCG increased to RMB150 million. BUCG held 100% of our equity interest.
2012	In October 2012, BUCG separated its rail transit construction contracting business from its civil construction contracting department by separating its urban rail transit construction contracting business (including rail transit projects and the related personnel, equipment, rights and obligation) from the civil construction contracting department, forming a newly established department, namely the rail transit engineering general contracting department.
	In December 2012, BUCG entered into the Reorganisation Agreements with us. Pursuant to these agreements, BUCG transferred its urban rail transit construction contracting business and assets (including the relevant properties and land use right, as well as 60% equity interest in Xinjie Consulting) to us at no financial consideration, which subsequently constitute our construction contracting business segment.
2013	Our registered capital increased from RMB150 million to RMB230,769,400 following the investment in our Company by seven Strategic Investors. Please refer to "— Information of Strategic Investors" for details in relation to the Strategic Investors, their investments and key contractual rights.
2013	Our Company was converted into a joint stock limited company and renamed as Beijing Urban Construction Design & Development Group Co., Ltd. with a registered capital of RMB920 million, comprising 920,000,000 shares at a par value of RMB1.00 each.

Major Milestones in Our Business Development

The major business development milestones of the Company and its subsidiaries are as follows:

1965–1969	Providing survey, exploration and general design services for Beijing Subway Line 1, the first subway line in China
1986–1992	Formulating *The Standards for Subway Design* (地鐵設計規範) (the principal standards of the subway design industry)
1990–1995	Providing general design services for Shanghai Subway Line 1, the first subway line in Shanghai
2000–2001	Providing general design services for Phase I of Changchun Light Rail Transit, the first light rail transit in China
2000–2002	Providing survey, exploration, general design services for Beijing Subway Line 13, the first entirely above-ground rail line in Beijing
2000–2004	Providing general design services for Beijing Zoo Public Transit Hub, Beijing's first intelligent public transit hub project
2003–2008	Providing survey and design services for a number of Olympics projects, such as the construction of the National Indoor Stadium, the Olympic Village and the Wukesong Culture & Sports Center
2005–2008	Providing survey, exploration and general design services for Phase 1 of the Beijing Subway Line 10 and the Olympic Extension Project, being the key public transportation projects of the Olympics
2005–2011	Providing general design services for Zhaosha Section of Chongqing Subway Line 1, the first subway line in a mountainous city in China
2008–2012	Providing PC contracting services for Yizhuang Line Project, a rail transit line constructed entirely under BT model in Beijing
2012–2013	Providing design services for Hunnan New District Modern Tram Project in Shenyang, the first integrated tram operation network in China
2011 to present	Providing survey and exploration services for the western section of the demonstration line of medium-low speed magnetic levitation transit (Line S1), the first medium-low speed magnetic levitation transit project in China

Information about BUCG, our Controlling Shareholder

BUCG is a limited liability company incorporated by the Beijing Municipal Government in 1993, which is wholly State-owned and under the direct supervision of Beijing SASAC. BUCG was principally engaged in construction contracting, real estate development and design and consultancy businesses before our Reorganisation. After our conversion into a joint stock limited company, BUCG directly owns 65% of our issued share capital. Immediately after completion of the [**REDACTED**], assuming that the Over-allotment Option is not exercised, BUCG will own approximately [**REDACTED**] of our issued share capital (approximately [**REDACTED**] in the event that the Over-allotment Option is exercised in full) and will continue to be our Controlling Shareholder.

Pre-IPO Investment

Subscription of Increased Registered Capital

BUCG, our Company and the Strategic Investors (namely, BII, Beijing Jingguofa Equity Investment Fund (Limited Partnership), Rail Transit Company, Gonglian Company, Tianjin Jun Rui Qi Equity Investment Partnership (LLP), Zhongtai Investment and Beijing You Neng Shang Zhuo Venture Capital Fund (LLP)) entered into a subscription agreement dated 17 May 2013, pursuant to which the Strategic Investors agreed to subscribe for our increased registered capital of RMB80,769,400 at an aggregated consideration of RMB703,160,000. The consideration was determined based on our net asset value as at 31 December 2012 according to the valuation report issued by Beijing Tianjian Xingye Asset Appraisal Co., Ltd. Following completion of the subscription, our registered capital increased from RMB150 million to RMB230,769,400, and BUCG held 65% of our equity interest. The proceeds received from the Strategic Investors were mainly for use in facilitating our design, survey and consultancy and construction contracting businesses (including BT projects), as well as our daily operations. As at the Latest Practicable Date, the proceeds had not been fully utilised. None of the Strategic Investors, except Zhongtai Investment, is our connected person.

The table below sets forth details of the equity investments by the Strategic Investors:

Name of Strategic Investor	Approximate increased registered capital subscribed for by Strategic Investor	Approximate consideration paid by Strategic Investor	Settlement date of consideration	Approximate investment cost paid by Strategic Investor per RMB1.00 registered capital	Approximate percentage of shareholding after pre-IPO investment	Approximate percentage of shareholding interests held by Strategic Investor Upon H Share Listing[1]
	(RMB million)	(RMB million)		(RMB)		
BII	23.08	200.91	23 May 2013	8.70[2]	10%	[**REDACTED**]
Beijing Jingguofa Equity Investment Fund (Limited Partnership)	11.54	100.45	22 May 2013	8.70[2]	5%	[**REDACTED**]
Rail Transit Company	11.54	100.45	23 May 2013	8.70[2]	5%	[**REDACTED**]
Gonglian Company	11.54	100.45	23 May 2013	8.70[2]	5%	[**REDACTED**]
Tianjin Jun Rui Qi Equity Investment Partnership (LLP)	11.54	100.45	22 May 2013	8.70[2]	5%	[**REDACTED**]
Zhongtai Investment	5.82	50.63	22 May 2013	8.70[2]	2.52%	[**REDACTED**]
Beijing You Neng Shang Zhuo Venture Capital Fund (LLP)	5.72	49.82	23 May 2013	8.70[2]	2.48%	[**REDACTED**]
Total	80.77	703.16			35%	[**REDACTED**]

Notes:

(1) Assuming there is no exercise of the Over-allotment Option.

(2) The investment cost is derived by dividing the investment amount by the amount of capital contribution subscribed for by the Strategic Investor.

The investment cost paid by the Strategic Investors is approximately HK$[**REDACTED**] per RMB1.00 registered capital of the Company, which represents a discount of approximately [**REDACTED**] from an [**REDACTED**] of HK$[**REDACTED**], being the mid-point of the indicative [**REDACTED**] range of HK$[**REDACTED**] to HK$[**REDACTED**] per [**REDACTED**].*

* The investment cost is calculated by dividing the total amount of strategic investment with the number of shares currently held by the Strategic Investors before the Listing. The amount of strategic investment made by the Strategic Investors is translated at the exchange rate of RMB0.7938 to HK$1, as set by PBOC for foreign exchange transactions prevailing as at the Latest Practicable Date.

Benefits of Introduction of Strategic Investors

BII, Rail Transit Company and Gonglian Company are State-owned enterprises in Beijing and Beijing Jingguofa Equity Investment Fund (Limited Partnership) is an investment fund mainly managed by the Beijing Municipal Government, thus they are able to provide extensive and strategic support to our business development in Beijing in terms of promoting business growth, strengthening cooperation and providing working capital. Rail Transit Company is one of our important clients and was the largest client in each year during the Track Record Period, which is of great significance in maintaining the sustainable development of our urban rail transit related business, particularly in Beijing. The other three Strategic Investors may provide support to us in terms of financing, business diversification, capital market opportunities, and enhancement of our corporate governance practices.

Information of Strategic Investors

BII

BII is principally engaged in, among others, the manufacturing of subway trains and equipment, operation, investment and management of authorised State-owned assets, planning and construction of new subway lines, operation and management of completed subway lines. BII, incorporated by Beijing SASAC, is an enterprise solely funded by the State. It is an Independent Third Party.

Beijing Jingguofa Equity Investment Fund (Limited Partnership)

Beijing Jingguofa Equity Investment Fund (Limited Partnership) is an investment fund jointly established by Beijing Jingguofa Investment Management Co., Ltd, acting as a general partner, and four limited partners, including Beijing State-owned Capital Operation and Management Center. Its business covers investment, investment management and consultancy in the non-securities business. Its general partner, Beijing Jingguofa Investment Management Co., Ltd., is a State-owned enterprise. Beijing Jingguofa Equity Investment Fund (Limited Partnership) is an Independent Third Party.

Rail Transit Company

Rail Transit Company mainly engages in, among others, the construction and management of new subway lines, provision of labour services, warehousing, technical services and training, information services (excluding intermediary services) and distribution of construction materials. Rail Transit Company, incorporated by the Beijing Municipal Government, is an enterprise solely owned by the State. Rail Transit Company is one of our major clients and was our largest client during the Track Record Period. Rail Transit Company is an Independent Third Party.

Our Company, BUCG, Rail Transit Company and Beijing Urban Rail Transit Consulting Co., Ltd., a subsidiary of Rail Transit Company, jointly established Rail Transit Design Institute on 15 November 2012. The scope of operation of Rail Transit Design Institute covers survey and design of urban rail transit networks and routes, survey and design of urban underground space, technical consultancy and financial information consultancy. The registered capital of Rail Transit Design Institute is RMB10 million, of which, 40%, 10%, 30% and 20% of equity are held by our Company, BUCG, Rail Transit Company and Beijing Urban Rail Transit Consulting Co., Ltd respectively. As the scope of operations of Rail Transit Design Institute overlaps with some of ours, in order to avoid any potential competition, Rail Transit Design Institute issued an undertaking letter in our favour, pursuant to which it undertakes that its principal businesses will be limited to the research of rail transit engineering technical project and the standardization of urban rail network planning, supervision business, engineering technical solutions and rail transit scientific research projects, and further undertakes that it will not engage in any business which may compete with our principal businesses.

Gonglian Company

Gonglian Company is principally engaged in, among others, the development and maintenance of highway connecting lines, real estate development and commodity property distribution along connecting lines, economic information consultancy, motor vehicle storage services, distribution of automobile parts as well as installation of outdoor advertising and public auction of outdoor advertising (excluding advertising agencies). Gonglian Company, incorporated by the Beijing Municipal Government, is an enterprise solely funded by the State. Gonglian Company is an Independent Third Party.

Tianjin Jun Rui Qi Equity Investment Partnership (LLP)

Tianjin Jun Rui Qi Equity Investment Partnership (LLP) is an investment fund jointly established by Beijing Bodao Investment Advisory Center (Limited Partnership), acting as the general partner, and 14 limited partners. Its business covers investment in non-listed enterprises and non-publicly offered securities of listed companies and related consultancy services. Its general partner, Beijing Bodao Investment Advisory Center (Limited Partnership), is a non-State-owned partnership. Tianjin Jun Rui Qi Equity Investment Partnership (LLP) is an Independent Third Party.

Zhongtai Investment

Zhongtai Investment is a limited liability company jointly established by Zhong Qiangnian and Tang Jiuqing, who are Independent Third Parties. Zhongtai Investment mainly engages in, among others, investment, energy-saving technology marketing, property brokerage, investment management and consultancy, financial consultancy, economic and trade information services, commercial property and office leasing as well as conference services. Taijie Consulting, which is a joint venture established by our Company, Zhongtai Investment and Taitong Construction Co., Ltd. Please refer to Note (7) of the section "— Immediately After the Global Offering" for details. Since Taijie Consulting is our subsidiary, and by virtue of Zhongtai Investment's 30% equity interest in Taijie Consulting, Zhongtai Investment and its associates are our connected persons.

Beijing You Neng Shang Zhuo Venture Capital Fund (LLP)

Beijing You Neng Shang Zhuo Venture Capital Fund (LLP) is an investment fund jointly established by Beijing Zhongcheng Hengxing Investment Management Co., Ltd, acting as the general partner, and five limited partners. Its business covers investment, investment management and consultancy in non-securities business. Its general partner, Beijing Zhongcheng Hengxing Investment Management Co., Ltd., is a private limited liability company. Beijing You Neng Shang Zhuo Venture Capital Fund (LLP) is an Independent Third Party.

Rights of Strategic Investors

According to the subscription agreement dated 17 May 2013, special rights enjoyed by the Strategic Investors will be terminated automatically upon the H Share Listing. These special rights include:

- our Company shall ensure that the cash dividend to be distributed annually shall be no less than 10% of our distributable profits achieved in that year;

- our Company shall provide all the Strategic Investors with pre-quarterly results, non-audited quarterly and interim reports as well as audited annual reports within a specified time;

- where BUCG plans to transfer or entrust all or part of our Company's equity interests held to a third party, with the unanimous consent of all the shareholders, all the shareholders except BUCG are entitled to pre-emptive rights in respect of the equity interests to be transferred under the same conditions;

- BUCG agrees that, without the unanimous written consent of all the shareholders, it shall not create any pledge, mortgage, deed of trust or any other third-party rights and interests of its equity interest held in our Company, or adopt any other means which will lead to the transfer of its beneficiary interest held in our Company; and

- where our Company conducts further equity financing prior to the Listing Date, the Strategic Investors have the right to acquire such equity under the same offering conditions and for the same consideration as proposed by our Company to the other subsequent investors in proportion to their then existing shareholdings in our Company. Where the rights given by our Company to the other subsequent investors are more favourable than the rights given to the Strategic Investors, the Strategic Investors are automatically entitled to enjoy such more favourable rights.

Lock-up Restriction and Effect on Public Float

According to the subscription agreement dated 17 May 2013, unless otherwise required by the relevant laws and regulations, the lock-up restriction imposed on the shares held by the Strategic Investors will be entirely lifted on the Listing Date. The Company Law provides that in relation to a public offering of a company, the shares issued by a company prior to the public offering shall not be transferred within a period of one year from the date on which the publicly offered shares are traded on any stock exchange. Therefore, the Shares held by the Strategic Investors would be subject to a lock-up period of one year after the H Share Listing. These Shares would not be considered as part of the public float for the purposes of Rule 8.08(1) of the Listing Rules as they are Domestic Shares which would not be listed and traded in Hong Kong.

The Joint Sponsors confirmed that (i) the transactions contemplated under the aforesaid subscription agreement are in compliance with the "Interim Guidance on Pre-IPO Investments" issued by the Listing Committee of the Hong Kong Stock Exchange as the consideration in relation to the subscription agreement was settled on or before 23 May 2013, which was more than 28 clear days before the submission of the first application form to the Listing Division of the Hong Kong Stock Exchange in relation to the H Share Listing; and (ii) the disclosure in respect of the pre-IPO investment in this [**REDACTED**] is in compliance with the "Guidance on Pre-IPO investments" issued by the Listing Committee of the Hong Kong Stock Exchange.

Corporate Structure and Business Segments

Reorganisation

In October 2012, for the purpose of restructuring its urban rail transit business, the board of directors of BUCG passed resolutions approving the Reorganisation. Immediately prior to the Reorganisation, our business only consisted of design, survey and consultancy, while BUCG, our then sole shareholder, principally engaged in construction contracting, real estate development and design businesses.

To implement the Reorganisation, BUCG and our Company entered into the Reorganisation Agreements, pursuant to which, BUCG agreed to transfer its urban rail transit construction contracting business and related assets to us, which mainly included:

- its urban rail transit construction contracting business, and all assets, liabilities, business contracts and employees related to the business;
- its properties, including our headquarters located at No. 5, Fuchengmen North Street, Xicheng District and the corresponding land use right (such properties and land had been historically used by us before the Reorganisation); and
- its 60% equity interest in Xinjie Consulting.

Under the Reorganisation Agreements, BUCG made certain representations and warranties and provided undertakings in respect of the business and assets being transferred, including but not limited to:

- complete and valid legal ownership in respect of all assets, liabilities, contracts of urban rail transit PC contracting businesses without ownership claims or liens by any third party;
- complete and valid legal ownership in respect of the properties and corresponding land use rights transferred without any third-party ownership claims, lien or other interests; and
- no pledge or any third-party interest over the 60% equity interest in Xinjie Consulting transferred to us.

After completion of the Reorganisation, BUCG no longer retains any contracting qualifications required for the purpose of carrying out the urban rail transit construction contracting business and has ceased to operate such business (including construction contracting) after such time as we have obtained the professional qualifications required for urban rail transit construction contracting business. BUCG still owns and operates other construction contracting businesses unrelated to urban rail transit. For further details about businesses and assets retained by BUCG, please refer to "Relationship with BUCG and Rail Transit Design Institute" in this [**REDACTED**].

Beijing SASAC has approved the Reorganisation. Our PRC legal counsel, Haiwen & Partners, has also confirmed that we have obtained all necessary approvals required for the Reorganisation from the relevant PRC government authorities and the professional qualifications required for urban rail transit construction contracting business.

Upon completion of the Reorganisation, no further contracts in respect of the design, survey and consultancy segment are required to be transferred to us as all such contracts were entered into by us in our own name both before and after the Reorganisation. After obtaining all relevant licences upon completion of the Reorganisation, in respect of the construction contracting segment, a total of 12 PC contracts entered into by BUCG were required to be transferred to us. All project owners of such PC contracts have been informed that the Company has replaced BUCG as the party performing the relevant contracts and such contracts have been carried on by the Company since obtaining all relevant licences upon completion of the Reorganisation without any objection from the project owners. As at the Latest Practicable Date, the transfer formalities of all, except four, of the PC contracts had been completed. Of the four outstanding PC contracts subject to final transfer formalities, one project is in Beijing, two projects are in Guangzhou and the remaining one is in Urumqi. The project owners of these four PC contracts have agreed in principle to the transfer in that (i) these project owners have been informed by the Company that it has replaced BUCG in performing the contracts as a result of the Reorganisation; (ii) all four PC contracts are currently being performed by the Company with the full knowledge of and without any objection from the project owners; and (iii) the transfer formalities in relation to the four PC contracts are in progress. The Company is effectively performing these four PC contracts and not as a subcontractor of BUCG. In respect of these outstanding PC contracts, the Company expects the transfer documents of the one in Beijing to be signed before the end of June 2014, the two in Guangzhou to be signed before the end of August 2014 and the one in Urumqi to be signed before the end of August 2014. The project owners of these four contracts are State-owned enterprises or affiliated entities of municipal governments, one of which was one of the five largest clients of the Company for 2013. Each of these contracts is for a contractual term of more than two years. The aggregate total contract value of these four contracts is approximately RMB1.7 billion, of which approximately RMB0.8 billion was included in the new contract value of our construction contracting business of approximately RMB1.9 billion for the year ended 31 December 2013. As at 31 December 2013, the total amount of revenue recognised in respect of these four contracts amounted to approximately RMB0.2 billion. The total amount of backlog in respect of these four contracts amounted to approximately RMB0.9 billion as at 31 December 2013, which was included in and formed part of the Group's total backlog (inclusive of both segments) of approximately RMB8.2 billion as at 31 December 2013.

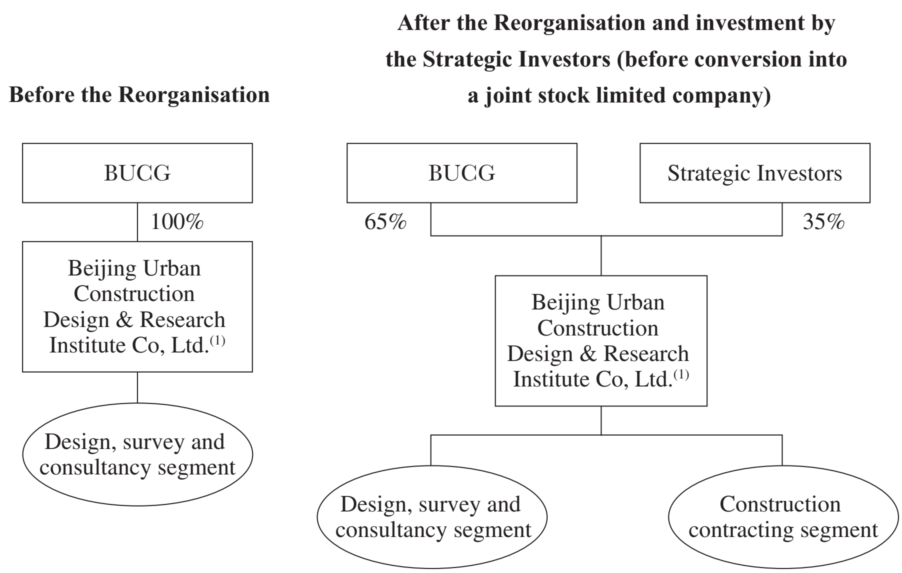
To regulate arrangements pending the consents of the project owners, our Company and BUCG entered into a supplemental agreement to the Reorganisation Agreements dated 16 June 2014 pursuant to which our Company and BUCG agreed, among other things, that pending the aforesaid consents being obtained:

- our Company shall own the rights and benefits and shall be liable for the obligations and losses arising from the aforesaid PC contracts;
- BUCG will perform the PC contracts in accordance with our instructions, and bid for the construction contracting projects on our behalf and for our benefit with our consent and in accordance with our instructions; and
- BUCG will indemnify our Company in full for any loss suffered if the consent from any of the project owners cannot be obtained.

If the project owner agrees and allows us to complete the contract, the project owner has to pay us according to the contract as it has enjoyed the benefit of our work. Haiwen & Partners, our PRC legal advisers, are of the view that the only possible loss that we may suffer is if the project owner has disputes with us and/or BUCG with regard to the proposed transfer. In such event, the project owner may refuse to pay us. However, as we have been performing the contracts upon obtaining all relevant licences and as the project owners have not indicated that any of them will terminate the relevant contracts, based on the view of our PRC legal advisers, we believe that we will not suffer any loss from the transfer of the contracts, except for the costs of enforcing payment of the contracts, if any project owner refuses to pay after completion of the contract by us. According to BUCG's 2013 audited accountants' report under PRC GAAP, as at 31 December 2013 and on a consolidated basis, BUCG's net current assets were approximately RMB13.0 billion, and its balance of cash and cash equivalents was approximately RMB13.4 billion. On the above basis, our Directors are of the view that there should not be a problem for BUCG to honour its indemnity obligations, if any loss is suffered by us.

The construction contracting projects contemplated under the PC contracts are undertaken by the same teams of individuals at the construction contracting department that have been transferred to us as part of the Reorganisation. Haiwen & Partners, our PRC legal advisers, has confirmed that there is no legal impediment for the continuing performance of the aforesaid PC contracts in accordance with their respective terms; and for our Company to enjoy the rights and be liable for any obligations arising after the Reorganisation under such contracts. Our Directors confirm, after due and careful enquiry, that the contracts have been performed by the parties in accordance with their respective terms and there is no foreseeable or unforeseeable event which will cause termination of such contracts. Our Directors are also of the view that failure to obtain the consents from the project owners will not have any material impact on the Company as (i) BUCG has, pursuant to the supplemental agreement to the Reorganisation Agreements, agreed to perform the PC contracts for the Company and the Company's PRC legal advisers have confirmed that such transitional arrangement is in compliance with PRC laws; and (ii) BUCG has agreed to indemnify the Company in full for any loss if the consent from the project owners cannot be obtained.

In December 2012, the Company introduced the Strategic Investors and the number of our shareholders increased to eight. Please refer to "— Pre-IPO Investment" for the relevant information of the seven Strategic Investors and their investments. The following chart shows the shareholding structure and business segments before and after the Reorganisation:



Note:

(1) Our predecessor before we were converted into a joint stock limited company on 28 October 2013.

After completion of the Reorganisation, our business is divided into two segments, namely design, survey and consultancy segment and the construction contracting segment, further details of which are set out as follows:

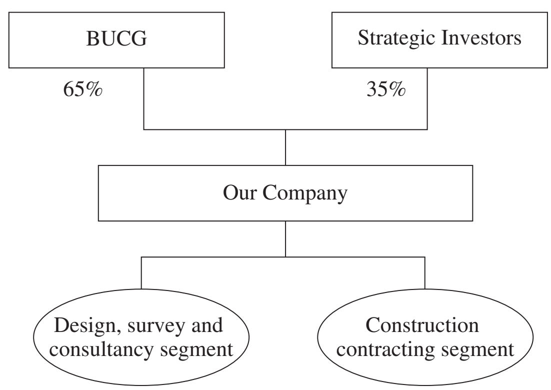
- the design, survey and consultancy segment has five departments, namely the rail transit department, the industrial and civil construction department, the municipal engineering department, the urban design department and the overseas department, as well as 20 branches and six subsidiaries across China, mainly providing design, survey, mapping, monitor and testing services for rail transit, industrial and civil construction, municipal projects and other areas, geotechnical engineering design and construction services as well as scientific research and technical advisory services, etc.;

- the construction contracting segment has one department, namely, construction contracting segment (formerly known as the rail transit engineering general contracting construction contracting department), mainly providing rail transit construction contracting services.

During the Track Record Period, the Group's business operations and projects have been consistently operated or undertaken by substantively the same group of personnel and in accordance with the same policies both before and after the Track Record Period, and will continue to be so operated after the H Share Listing.

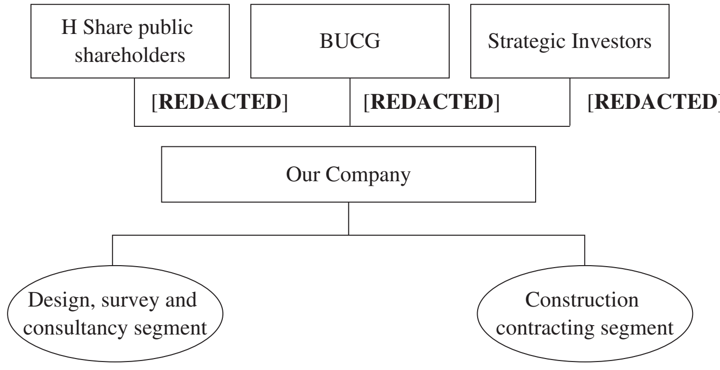
Before the [**REDACTED**]

The following chart sets out our shareholding structure and business segments prior to the [**REDACTED**]:

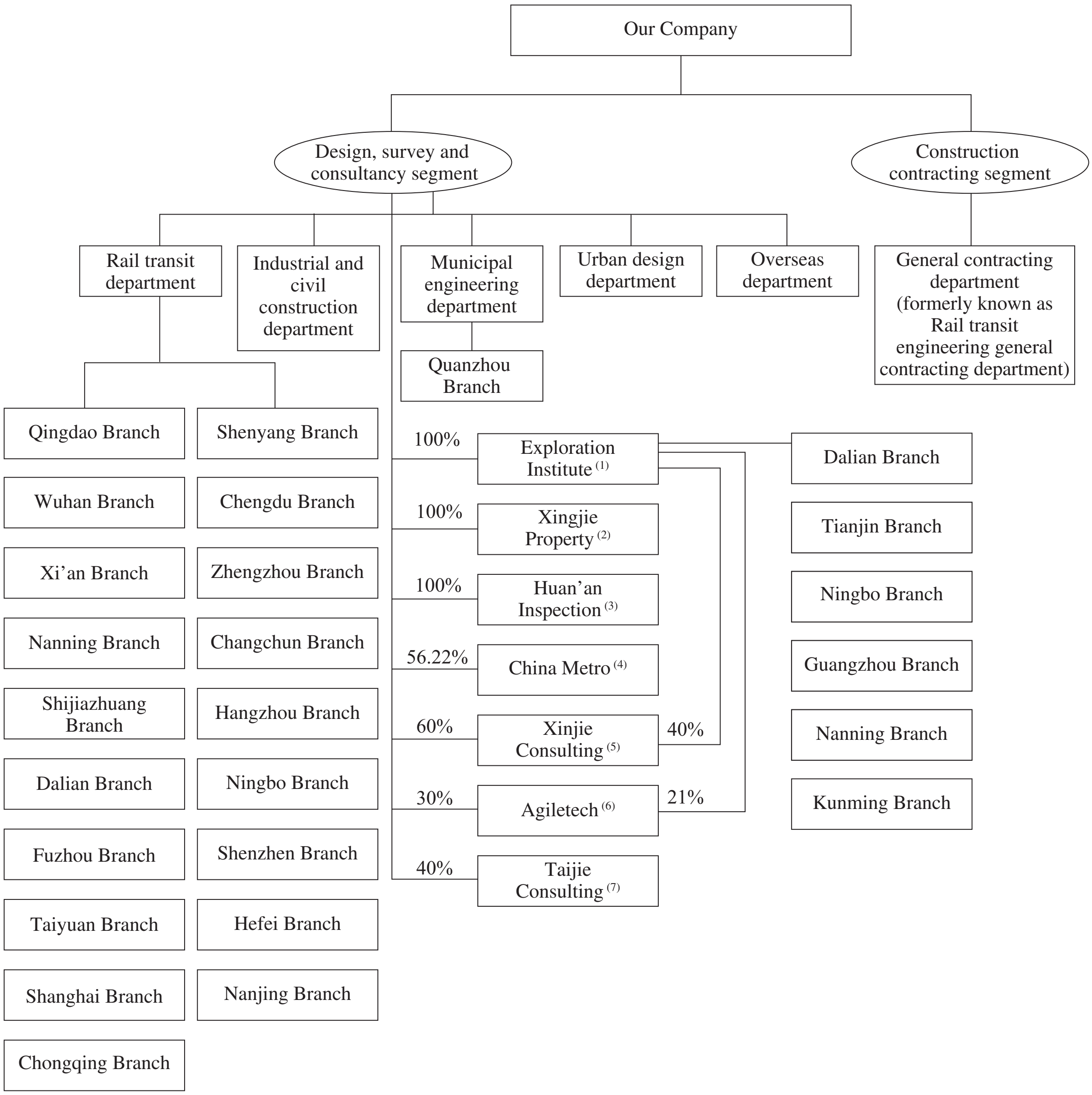


Immediately After the [**REDACTED**]

Assuming there is no change in the respective shareholding of the following shareholders after the Latest Practicable Date, our corporate structure immediately after completion of the [**REDACTED**] (without taking into account any H Shares which may be issued or transferred pursuant to the exercise of the Over-allotment Option) would be as follows:



The following chart sets out our two major business segments and operating structure immediately after completion of the [**REDACTED**].



(1) The predecessor of Exploration Institute was the Exploration and Survey Office of Beijing Urban Construction Engineering Design Institute, which was incorporated as an enterprise owned by the whole people and commenced business on 10 January 1990 with a registered capital of RMB1.3 million, and was converted into a limited liability company on 25 December 2000. In April 2005, our predecessor, Beijing Urban Construction Design & Research Institute Co., Ltd., acquired from BUCG 55.964% equity interest in Exploration Institute. In June and December 2012, our predecessor, Beijing Urban Construction Design & Research Institute Co., Ltd., acquired from the Employee Shareholding Committee of Exploration Institute and Beijing Anyong Prince Equity Brokerage Co., Ltd. (北京安永普潤產權經紀有限公司) 39.036% and 5% equity interests in Exploration Institute at a consideration of approximately RMB24.13 million and at a consideration which should not be higher than RMB6.77 per share, based on the valuation results of Exploration Institute as at 31 March 2012, respectively. After the acquisitions, our Company holds 100% equity interests in Exploration Institute. In August 2012, the registered capital of Exploration Institute increased from RMB8,300,000 to RMB30,000,000 following the conversion of the surplus reserve and undistributed profit into registered capital. Exploration Institute's business scope comprises, among other things,

(i) a licensed construction contracting business, (ii) general business activities including engineering geology, geotechnical engineering and engineering survey, all kinds of foundation and infrastructure engineering and construction projects with project value being less than RMB10 million, technological marketing, labour dispatch services and engineering technical advisory services.

Exploration Institute has six branches, namely in Dalian, Tianjin, Ningbo, Guangzhou, Nanning and Kunming, and it owns 40% and 21% equity interests in Xinjie Consulting and Agiletech, respectively.

(2) Xingjie Property was incorporated on 21 November 2011. Its registered capital is RMB0.5 million. Xingjie Property's business scope comprises, among other things, general business activities including property management, maintenance of machinery and equipment, interior decoration design, landscaping, cleaning services, investment and technical advisory services, storage services (except those that have to be approved), motor vehicle parking services as well as distribution of construction materials, daily necessities, metals and electrical appliances.

(3) Huan'an Inspection was incorporated on 18 June 2008. Its registered capital is RMB1 million. Its business scope comprises, among other things, (i) licensed engineering quality inspection, engineering management services and a special field contracting business; (ii) general business activities including leasing of engineering machinery and equipment, and technology promotion services. Pursuant to a State-owned Equity Interest Transfer Agreement dated 31 December 2012, our predecessor, Beijing Urban Construction Design & Research Institute Co., Ltd. acquired 100% equity interest in Huan'an Inspection (which was referred as "北京環安檢測工程有限責任公司" in the agreement) held by Exploration Institute at nil Consideration.

(4) China Metro was incorporated on 27 October 2006. Its registered capital is RMB13.34 million, which was contributed by our Company, China Association of Metros and Beijing Huaxie Transportation Consultation Company as to 56.22%, 40.03% and 3.75%, respectively. China Association of Metros is our connected person by virtue of its 40.03% equity interest in China Metro. Beijing Huaxie Transportation Consultation Company is an Independent Third Party. China Metro's business scope comprises, among other things, general business activities including engineering consultancy, organisation of technical exchanges and exhibitions as well as scientific research and technological development business.

(5) Xinjie Consulting was incorporated on 2 January 2004. Its registered capital is RMB3 million. Xinjie Consulting is an indirect wholly-owned subsidiary of our Company. The Company and Exploration Institute (our wholly-owned subsidiary) hold 60% and 40% of the equity interest in Xinjie Consulting, respectively. The business scope of Xinjie Consulting comprises, among other things, general business activities including technical advisory, reviewing construction drawing and design documents for municipal infrastructure project (rail transport and related engineering), technology development and transfer, organising cultural and art exchanges events (excluding performances), exhibitions and displays.

(6) Agiletech was incorporated on 25 January 2007. Its registered capital is RMB5 million, which was contributed by our Company, Exploration Institute, MAA Engineering Consultants International Ltd. and Beijing Urban Rail Transport Advisory Co., Ltd. as to 30%, 21%, 26% and 23%, respectively. Although the Company and Exploration Institute hold in aggregate 51% equity interests in Agiletech, Agiletech is not a subsidiary of the Company for the reasons that: (i) it does not have a general meeting of shareholders; and (ii) the resolutions of its board of directors shall be passed by two-thirds of directors voting in favour, but we only appointed three out of the five directors. Accordingly, we do not have control over Agiletech. MAA Engineering Consultants International Ltd. and Beijing Urban Rail Transport Advisory Co., Ltd. are Independent Third Parties. The scope of business comprises, among other things, general business activities including engineering consultancy, project planning, safety risk system assessment technical R&D and promotion of an assessment and management business.

(7) Taijie Consulting was incorporated on 19 August 2013. Its registered capital is RMB5 million, which was contributed by the Company, Zhongtai Investment and Taitong Construction Co., Ltd. as to 40%, 30% and 30%, respectively. Our Company entered into the Agreement on Exercise of Voting Rights of Shareholders with Zhongtai Investment and Taitong Construction Co., Ltd. on 18 July 2013, pursuant to which Taijie Consulting is consolidated into our financial statements as a subsidiary. Accordingly, each of Zhongtai Investment and Taitong Construction Co., Ltd. is our connected person by virtue of its 30% equity interest in Taijie Consulting. Taijie Consulting's scope of business comprises, among other things, (i) a licensed construction engineering consultancy business, (ii) general business activities including fire safety technical testing, technical advisory services as well as technology development and transfer.

OVERVIEW

We are a leading design, survey and consultancy company in the PRC urban rail transit industry. We have the longest operating history in the PRC urban rail transit industry, which can be traced back to 1958 when we were founded specifically for the design and survey services of Beijing Subway Line 1, China's first subway line. According to CCID Consulting, as at 31 December 2013, we ranked first in urban rail transit lines general design services in China in terms of the total length in operation, and we also ranked first in terms of the total new contract value in the design, survey and consultancy sector in the PRC urban rail transit industry for 2013. We hold integrated class A qualifications in our design and survey businesses, which are the highest levels of qualification in their respective areas in China according to the MOHURD. We are also engaged in construction contracting business, which enables us to provide comprehensive business solutions covering all major stages in the value chain of urban rail transit engineering.

Leveraging our technological expertise and R&D capability in the PRC urban rail transit industry, we focus on our core business of design, survey and consultancy, and are developing our construction contracting business. We have also expanded our design, survey and consultancy business into industrial and civil construction and municipal engineering projects that are related to urban rail transit by taking advantage of our leading position and established strength in the PRC urban rail transit industry.

We believe our technological innovation capability is one of our core competitive strengths. We have developed a series of proprietary technologies related to the urban rail transit industry (such as those in respect of rail shock absorption and noise reduction, underground ventilation, underground structure and viaducts). As at the Latest Practicable Date, we had 51 registered patents (including 11 invention patents) and 18 patent applications (including six invention patent applications) in China. In addition, as at the Latest Practicable Date, we had 14 registered copyrights for computer software programmes in China which are proprietary and used in our design, survey and consultancy business.

For the years ended 31 December 2011, 2012 and 2013, our revenues were RMB3,409.66 million, RMB2,693.54 million and RMB2,923.49 million, respectively, and our net profit was RMB162.61 million, RMB198.05 million and RMB236.27 million, respectively. For the years ended 31 December 2011, 2012 and 2013, the new contract value of our operations was approximately RMB1,762.43 million, RMB2,937.62 million and RMB4,237.94 million, respectively. As at 31 December 2013, our contract backlog was approximately RMB8,219.09 million. Please refer to "— Backlog and New Contract Value".

Our business is divided into two segments: design, survey and consultancy and construction contracting.

Design, survey and consultancy

Design, survey and consultancy has historically been our core business, which comprises the provision of such services primarily related to engineering for urban rail transit and, to a lesser extent, to industrial and civil construction as well as municipal engineering projects. We obtain new contracts for these services either through a competitive tendering process or by directly entering into agreements with our clients on negotiation basis. We typically receive payments from our clients in accordance with pre-determined work schedules, usually when specified progress milestones are achieved.

Within the design, survey and consultancy segment, services provided for urban rail transit engineering (including subway, light rail, tram and maglev train) contributed the most significant component of our revenue during the Track Record Period. According to CCID Consulting, as at 31 December 2013, we ranked first in urban rail transit lines general design services in China in terms of the total length in operation, with a total of 726 km of completed urban rail transit lines, accounting for approximately 26.4% of total market, and we also ranked the first in terms of the total new contract value in the design, survey and consultancy sector in the PRC urban rail transit industry for 2013, with a total of RMB1.80 billion accounting for 21.7% of total market. As at 31 December 2013, we had undertaken design, survey and consultancy services in 29 cities in China. We have played a key role or participated in the compilation and formulation of a number of national and industry urban rail transit technological standards.

We hold 27 professional qualifications in relation to design, survey and consultancy, in particular an Integrated Class A Qualification in Engineering Design (工程設計綜合甲級資質), an Integrated Class A Qualification in Engineering Survey (工程勘察綜合類甲級資質) and four Class A Qualification in Consultancy (工程諮詢單位甲級資格). As at 31 December 2013, we employed 1,600 professional technicians in our design, survey and consultancy business.

Construction contracting

Our construction contracting business focuses on construction projects in the urban rail transit industry. We win PC and EPC contracts through tendering procedures. We typically receive payments from our clients when specified progress milestones are achieved.

As at 31 December 2013, we had participated in the construction contracting projects for 29 urban rail transit lines in China, which included 61 stations and 69 tunnels. We have undertaken construction contracting projects in major PRC cities, including Beijing, Guangzhou, Shenzhen, Tianjin, Hangzhou and Dalian.

We hold 7 professional qualifications/licences in relation to construction contracting services, in particular Qualification for Enterprise in Construction Industry (建築業企業資質) (including Special Qualification in Urban Rail Transit Engineering Contracting, Class A Qualification in General Construction Contracting for Municipal Engineering and Class A Qualification in General Construction Contracting for Building Construction).

COMPETITIVE STRENGTHS

We are a leading design, survey and consultancy company in the PRC urban rail transit industry, with the longest operating history.

We commenced our operations in 1958 as a State-owned professional survey and design institute (later known as Beijing Urban Construction Engineering Design Institute) founded specifically for the design and survey of Beijing Subway Line 1, China's first subway line. It was the first of such specialised design service organisations in China. Since that time, our primary business focus has been design, survey and consultancy business for urban rail transit projects. A small portion of our services provides other design services for industrial and civil construction and municipal engineering. Significant milestones and highlights of our track record in the design, survey and consultancy business include:

- after designing China's first subway line in Beijing in 1958, we provided general design services for the first subway lines of other eight major cities in China, including Shanghai, Chongqing, Nanjing and Hangzhou. We have also provided design services with respect to the Changchun Light Rail Transit System, the first light rail in China, and the Hunnan New District Modern Tram Project in Shenyang, the first modern tram operation network in China;

- as at 31 December 2013, we provided general design services for 73 domestic and five overseas urban rail transit lines, of which 36 domestic urban rail transit lines with a total of 726 km length in operation;

- as at 31 December 2013, 36 cities of China had urban rail transit lines (including the lines under construction) of which we had provided design and/or survey services for urban rail transit lines in 29 cities; and

- according to CCID Consulting, as at 31 December 2013, we ranked the first in terms of total length in operation of urban rail transit lines under general design services in China, with a total of 726 km, accounting for approximately 26.4% of total market, and we also ranked the first in terms of the total new contract value in the design, survey and consultancy sector in the PRC urban rail transit industry for 2013, with a total of RMB1.80 billion accounting for 21.7% of total market.

As a leading design, survey and consultancy company in the PRC urban rail transit industry, we have continually participated in formulating national and industry standards, which we believe demonstrates our expertise, market reputation, and leading position in the industry. Specifically:

- we played a leading role in formulating six national standards in the PRC urban rail transit industry, including *Standards for Subway Design* (地鐵設計規範) (the principal standards of the subway design industry), *Standards of Geological Engineering Survey of Urban Rail Transit* (城市軌道交通岩土工程勘察規範) and *Standards of Monitoring Technology on Urban Rail Transit Engineering* (城市軌道交通工程監測技術規範) and two other industry standards, namely, *Standards of Urban Rail Transit Engineering Project Constructions* (城市軌道交通工程項目建設標準) and *Standards of Subway Boundary* (地鐵限界標準); in addition, we participated in formulating an additional 10 national standards and four industry standards in the PRC urban rail transit industry; and

- we are currently leading projects to formulate three additional national standards, including *Standards of Light Rail Engineering Design* (輕軌工程設計規範); and participating in the creation of five additional national or industry standards.

In the past 10 years, we received more than 300 awards in connection with our design, survey and consultancy business from government authorities and national industry associations, including notably *National Science and Technology Progress Award* (國家科技進步獎), *Huaxia Science and Technology Progress Award* (華夏科技進步獎), *National Outstanding Engineering Survey and Design Award* (全國優秀工程勘察設計獎), *National Outstanding Engineering Consultancy Award* (全國優秀工程諮詢獎), *Zhan Tianyou Award* (詹天佑獎), *Lu Ban Award* (魯班獎) and *National Premium Project Award* (國家優質工程獎).

We believe our long operating history and well-recognised brand can enable us to maintain our leading market position and market share in the design, survey and consultancy business of the PRC urban rail transit industry.

We expect to benefit from future growth in the PRC urban rail transit industry on account of our leading industry position.

According to the China Association of Metros (中國城市軌道交通協會), a national non-profit organisation, the total investment in the PRC urban rail transit industry in 2013 was approximately RMB216.5 billion, representing a 13.1% increase from RMB191.4 billion in 2012. According to CCID Consulting, along with the rapid growth in the urban rail transit industry, China was the largest market in the world in terms of total investment amounts in urban rail transit for the two years ended 31 December 2012 and 2013.

Urban rail transit is a key solution for urban traffic congestion in China, and an important indicator reflecting the overall quality of urbanisation of an area. In light of the severe traffic congestion in major PRC urban areas, environmental problems and air pollution, combined with the government's efforts to increase infrastructure investment, the PRC government has recently introduced numerous policies and incentives to encourage the development of the urban rail transit industry, including:

- according to the *Opinion on Strengthening Urban Infrastructure Construction* (關於加強城市基礎設施建設的意見) released by the State Council in September 2013, municipalities should promote the construction of urban rail transit systems, such as subway and light rail, to make the subway a primary means of public transportation. It encourages the development of the urban rail transit and related industries;

- according to the *Decision of the State Council on Cancellation and Decentralisation of some Administrative Approval Matters* (國務院關於取消和下放一批審批項目等事項的決定) released in May 2013, rights to approve urban high-speed rail transit projects are delegated to provincial-level authorities. This decision is expected to promote the development of the urban rail transit industry in second- and third-tier cities, as the approval process is expected to become less centralised and more streamlined at the provincial-level; and

- the NDRC approved 40 urban rail transit engineering projects in 32 cities with a total length of 2,318.0 km from 1 January 2012 to 31 December 2013, which is expected to involve a total investment of RMB1.40 trillion over time. We expect to benefit from such investment in line with the development of these new projects.

According to CCID Consulting, investment in the PRC urban rail transit is expected to reach RMB479.1 billion in 2018, with a CAGR of 13.0% from 2014 to 2018. As a leading company in the PRC urban rail transit industry, we expect to continue to benefit from the positive investment environment for the development of the urban rail transit industry, and to achieve growth in our operating results by leveraging our leading market position and technical and execution capabilities.

We provide comprehensive business solutions for all major stages in the value chain of urban rail transit engineering.

We are able to provide comprehensive services throughout the urban rail transit design and construction process, including planning, design, survey, consultancy, construction contracting, project financing and product development, which enables us to maximise our potential to capture business opportunities. We believe we are able to:

- reduce our exposure to operational risks in single stage of the urban rail transit value chain and capture more business opportunities in the urban rail transit sector;

- provide planning, design and survey services at early stages of a project, and thus, become familiar with the background and details of the projects, which places us in an advantageous position to selectively bid for ancillary or related projects at different stages of the project and expand into other contracting businesses, such as BT projects, by providing investing and financing services;

- enhance efficiency and increase the scale of our business. We benefit from the recent transfer of the urban rail transit construction contracting business as part of the Reorganisation. We believe that integration of this business will better enable us to create synergies between our two business segments; and

- provide integrated design and construction contracting services under the EPC contracting model, which improves organisation, planning and coordination for the overall projects, and enables us to better control the engineering quality and reduce unnecessary procurement and construction processes.

We are the pioneer of new technologies employed in the PRC urban rail transit industry, which we are able to integrate with our leading project execution capabilities.

We believe our strong technical and innovation capabilities through technology R&D will serve as a foundation for us to continue to pioneer new developments in the PRC urban rail transit industry. For example:

- Our Scholars & Experts Office consists of eleven experts in the field of urban rail transit design and is led by a scholar who is a member of the Chinese Academy of Engineering, Shi Zhongheng (who participated in the design of Beijing Subway Line 1). Our Scholars & Experts Office provides strong and professional support for the development of innovative technologies and talent cultivation throughout our R&D process.

- We have developed many patents with respect to urban rail transit design services, including:

  - various innovative construction methods for underground structures and key technologies for subsurface excavation, including two state-level construction methods;

  - design and construction technologies for environment-friendly U-beams for viaduct lines, for which we have an exclusive patent in China; and

    - key technologies in rail engineering such as those in respect of rail shock absorption and noise reduction, and underground ventilation.

The above patents and specialised technologies are broadly used in urban rail transit and the related engineering projects, and we believe they can be further developed into new technologies and solutions to meet future project needs. These further enhancements to our technology lay a solid foundation for the further commercialisation of our technologies by way of introducing such new technologies into urban rail transit related products.

- We have employed innovative technologies and construction methods in a number of complex urban rail transit projects, including:

    - our recent completion of a study on the effects of construction of the Jinan rail system on spring water, using a three-dimensional geological model which took advantage of our advanced research capabilities;

    - our design of the first integrated tram and municipal signal system in China for the Hunnan New District Modern Tram Project in Shenyang, which was completed and commenced operation in 2013; and

    - our provision of construction contracting services for Section 6 of civil construction of Beijing Subway Line 9, under which new shield tunneling construction method was created to break through large-diameter boulder strata.

We are well positioned to benefit from the growth of the markets at home and abroad due to our extensive network.

We believe that because our business and market network covers 30 medium-to-large PRC cities, we are well positioned in the PRC urban rail transit market to capture new business opportunities. For example:

- We are an early mover in the PRC urban rail transit engineering design market. With over 50 years of operating history and providing quality service to clients, we have established a stable client base and cooperative relationships.

- As at 31 December 2013, there were 36 cities with urban rail transit lines (including lines under construction), of which we had provided design and/or survey services in 29 cities. We have established a broad business network in China, including branches and project departments in 30 cities.

- With our branches and project departments located throughout China, we are able to gather project information in a timely manner, understand local demands for our services and communicate with project owners on a real-time basis so as to provide close and customised services.

- We believe our competence in domestic design, survey and consultancy is conducive to potential expansion into overseas markets. In a few overseas markets, currently Vietnam and Angola, we mainly cooperate with large-scale PRC construction services enterprises that act as EPC contractors, by providing design, survey and consultancy services for a number of projects in urban rail transit and architectural and municipal projects. We are also evaluating potential opportunities to enter the South American market. At the Latest Practicable Date, however, we had not formulated any specific plan for this.

We have an experienced senior management team supported by a pool of professionals with diverse experience.

We have a senior management team with extensive industry experience supported by a business team formed by numerous seasoned professionals with project management experience and professional expertise. Specifically:

- Our senior management comprises a group of experienced professionals in the urban rail transit, industrial and civil construction and municipal engineering industries. Our executive directors have an average industry experience of over 24 years and have worked for our Company for an average of over 13 years. With this extensive experience, our management team is able to capture market opportunities, formulate business strategies, assess and manage risks, implement business plans, ensure the ongoing high quality of our services, as well as increase our overall operating results.

- We have a large number of experienced and diversified professional technicians. As at 31 December 2013, we had one scholar who is a member of Chinese Academy of Engineering, 64 professor-level senior engineers (including some who receive special allowance from the government due to their professional achievements) and 473 senior engineers. These professionals have an average of approximately 21 years of industry experience and have worked for our Company for an average of approximately 16 years.

- As at 31 December 2013, we employed 542 management staff and 1,834 professional technicians specialising in various areas of urban rail transit, as well as certain specialised areas of industrial and civil construction and municipal engineering, including 538 senior or higher level personnel and 236 professional technicians with professional technical qualifications.

- As at 31 December 2013, 2,009 or approximately 77.0% of our employees held a bachelor's degree or a higher degree.

We believe our professional talent base in urban rail transit and related industries provides us with an advantage over our competitors in terms of work quality and technical capabilities. We expect to continue to expand our talent base in the future.

BUSINESS STRATEGIES AND FUTURE PLANS

Our overall strategies are to further expand design and consultancy businesses, strengthen general contracting businesses and develop high value-added new businesses. Bolstered by our leading market position in design and consultancy services, we aim to become a comprehensive service provider in urban rail transit engineering industry.

Continue to expand our design, survey and consultancy business in order to maintain our leading position in PRC urban rail transit industry

We believe that our strength lies in the provision of services with respect to the urban rail design and construction process, and our design, survey and consultancy business has maintained a leading position in the industry. We intend to take the following measures:

- formulating national and industry standards: We aim to further develop and streamline a system of standards and codes for the urban rail transit engineering technologies which will build upon over 10 national or industry standards, including *Standards for Subway Design* (地鐵設計規範) that were primarily drafted by us;

- enhancing our core technological advantage: We intend to use our strength in R&D to further develop core technologies for urban rail transit and to use our technology to capture revenue opportunities arising from continued urbanisation;

- providing value-added services: We offer comprehensive technical support services throughout different stages of the urban rail transit projects. Capitalising on our execution capabilities and extensive network, we are able to leverage synergies across different geographic regions by allocating our personnel and sharing our project experiences across our national marketing and business network;

- implementing talent development programmes: We are introducing programmes to foster and enhance technical competencies of our human resources using outside experts and leading professionals in the urban rail transit industry; and

- exploring potential strategic acquisitions and cooperation opportunities: In exploring potential domestic and international acquisition opportunities, we aim to target potential businesses with research and design capabilities in municipal engineering related to urban rail transit. We may also selectively consider research and design companies with business networks in cities where we do not currently have a presence. As at the Latest Practicable Date, we had not identified specific acquisition plans or targets, and had not entered into any definitive agreements with any potential targets.

Supplement and enhance the construction contracting segment's profitability by leveraging our strength in the design, survey and consultancy segment and further improve integration of the two business segments

We aim to improve our construction contracting business to realise increased integration of the urban rail transit design and construction process so as to provide our clients with more comprehensive solutions. Our efforts include:

- using our core technologies and enlarging capital to selectively develop new business models such as EPC, BT, BOT and PPP while enhancing our risk assessment capabilities;

- leveraging the network and competitive strength of our design, survey and consultancy segment to enrich business opportunities, enhance profitability of our construction contracting segment and improve room for profit growth; and

- seeking to expand business in developing urban rail transit related municipal and commercial facilities under TOD such as transportation hubs.

Enhance technical innovation and further commercialise technologies

We plan to further bolster our commitment to the R&D of urban rail transit related core technologies, and enhance our efficiency and market competitiveness through continually improving our technical expertise and quality of work. Our specific measures include:

- promoting the establishment of an engineering technological centre with national certification as and when appropriate in the future, building a robust system to acquire and cultivate talents, capitalising on the preferential policy for a national high-tech enterprise, actively devoting resources to achieving technological breakthrough, enhancing technical exchange programmes and continually developing the extension of techniques;

- increasing R&D funding, and deepening cooperation with universities, other technology and research institutes, software developers and equipment manufacturers to foster technological innovation as well as commercialisation of technology;

- capitalising on our R&D advantages to develop the rail transit products manufacturing business, as well as businesses related to services and products of rail transit operating systems; and

- expanding our R&D capabilities to capture business opportunities in the areas that address the problems and needs arising from rapid urbanisation, including advanced IT infrastructure, smart city engineering, cultural and sports facility construction, and energy-saving and environment-friendly projects.

Further diversify our businesses and expand our presence in overseas markets

As we seek to strengthen our position in the PRC urban rail transit industry, we have been seeking diversified business opportunities to mitigate our exposure to business fluctuation. We also plan to further expand into overseas markets to the extent we are able to control the risks and if there are meaningful opportunities to capture. The measures we plan to implement include:

- diversifying our design, survey and consultancy business by providing services for smart cities and developing geological information systems, environment geological survey and governance, and engineering consultancy services during operation stage;
- using our rail transit industry experience to expand into related business areas such as building construction, municipal engineering, integrated transport hubs and bus rapid transits through EPC and BT projects; and
- seeking to expand into selected international markets by forming consortiums with large-scale engineering general contractors in China as well as delivering high quality services, and continually gaining business from existing overseas clients in Vietnam and Angola.

Optimise our management system, expand our talent pool and enhance our operating efficiency and effectiveness

We will continue to enhance our cost control, improve corporate governance and optimise the structure of recruitment and human resources management systems, to satisfy our need for talent. We plan to further improve our internal control system, increase efficiency in our operational management, maintain our corporate competitiveness and enhance profitability by implementing the following:

- enhancing our operations and project control by continuing to implement management systems, thereby raising overall operating efficiency, reducing operating cost;
- gradually standardising project budget management, refining project workflow, establishing an evaluation system, enhancing project audits and cost supervision;
- continuing to improve our recruitment system and developing channels for talent acquisition based on cooperation with external talent agencies and universities, expanding and improving our external and internal talent pool, improving our personnel structure, and ensuring appropriate attrition management procedures;
- enhancing know-how management, continuing to increase the knowledge and techniques of employees by systematically organising internal training and technology exchanges, and improving the staff assessment and appraisal mechanism by setting KPI targets based on the different roles and positions of the employees; and
- optimising our remuneration management and structure, refining the mechanism to calculate and distribute bonuses, adopting incentives to motivate staff to enhance work efficiency. We plan to introduce share incentive schemes for senior management and key personnel within two years of the H Share Listing.

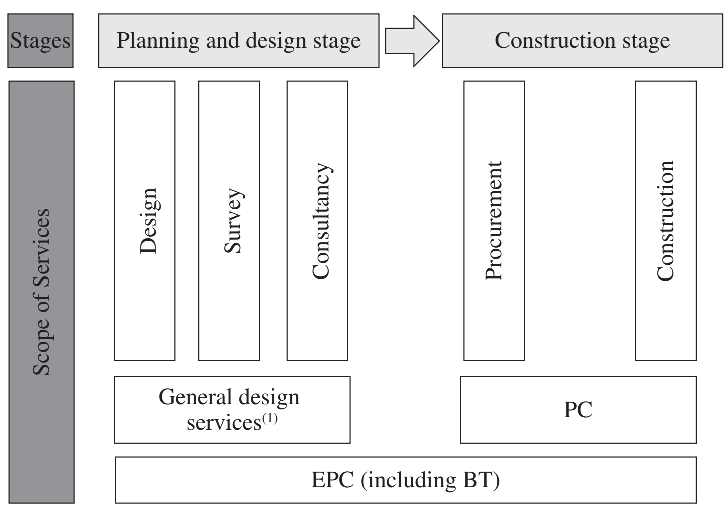
Business segments

We operate in the following two business segments:

- Design, survey and consultancy segment: historically, this has been our core business segment, which comprises the provision of engineering-related design, survey and consultancy services for urban rail transit, industrial and civil construction as well as municipal engineering projects; and

- Construction contracting segment: this segment mainly comprises the PC and EPC contracting of urban rail transit engineering; we also plan to engage in urban rail transit projects under BT model.

The engineering projects that we engage in usually involve planning, design, construction and operating stages. The following diagram illustrates the scopes of services that we usually provide in a project.



Note:

(1) We are capable of providing general design services as well as undertaking certain design, survey and consultancy work for the same project.

The following table sets forth our revenue generated by segment before and after inter-segment elimination and the percentages of revenue before inter-segment elimination for the periods indicated:

	Year ended 31 December					
	2011		2012		2013	
	(RMB'000)	% of Revenue	(RMB'000)	% of Revenue	(RMB'000)	% of Revenue
Design, survey and consultancy	1,164,947	34.1	1,269,882	46.9	1,526,188	52.1
Construction contracting	2,255,312	65.9	1,435,256	53.1	1,401,367	47.9
Sub-total	3,420,259	100.0	2,705,138	100.0	2,927,555	100.0
Inter-segment elimination	(10,604)		(11,598)		(4,070)	
Total	3,409,655		2,693,540		2,923,485	

For the three years ended 31 December 2011, 2012 and 2013, our gross profit derived from the design, survey and consultancy segment accounted for 83.7%, 85.5% and 85.9% of our total gross profit, respectively, while our gross profit derived from the construction contracting segment accounted for 16.3%, 14.5% and 14.1% of our total gross profit, respectively. For the three years ended 31 December 2011, 2012 and 2013, the gross margin of the design, survey and consultancy segment was 32.1%, 32.2% and 33.1%, respectively, whereas the gross margin of the construction contracting segment was 3.2%, 4.8% and 5.9%, respectively. During the Track Record Period, the profit margin of our design, survey and consultancy segment was considerably higher than that of the construction contracting segment. Please refer to "Financial Information — Gross Profit and Gross Margin".

The following table sets out our segment profit before and after inter-segment elimination of each business segment for the periods indicated and the percentage of our total profit before inter-segment elimination:

	Year ended 31 December					
	2011		2012		2013	
	Profit	Percentage of total profit	Profit	Percentage of total profit	Profit	Percentage of total profit
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
Design, survey and consultancy	165,304	81.5	197,873	85.6	270,012	86.6
Construction contracting	37,526	18.5	33,353	14.4	41,735	13.4
Sub-total	202,830	100.0	231,226	100.0	311,747	100.0
Inter-segment elimination	(149)		(178)		(1,429)	
Total	202,681		231,048		310,318	

DESIGN, SURVEY AND CONSULTANCY BUSINESS

Overview

Design, survey and consultancy has historically been our core business and we expect it to continue to be our core business. We primarily provide design and consultancy services through five professional design departments, namely, the rail transit department, the industrial and civil construction department, the municipal engineering department, the urban design department and the overseas department. In addition, Exploration Institute provides exploration and survey services, Huan'an Inspection provides engineering quality inspection services, and Xinjie Consulting provides technical consultancy and construction drawing review. Exploration Institute, Huan'an Inspection and Xinjie Consulting are all our wholly owned subsidiaries. China Metro and Taijie Consulting, both our subsidiaries, provide consultancy services. Our professional design departments work closely with our subsidiaries and provide mutual technical support and cross-referral opportunities.

We are capable of providing design, survey and consultancy services for urban rail transit engineering projects, as well as industrial and civil construction and municipal engineering projects.

The design services that we provide include but are not limited to:

- overall design and plan design
- preliminary design
- construction drawing design

The survey services that we provide include but are not limited to:

- geological engineering survey and hydrogeological survey
- risk assessment and engineering exploration
- monitoring and inspection

The consultancy services that we provide include but are not limited to:

- project planning
- pre-feasibility study and feasibility study
- design consultancy
- design supervision (only applicable to urban rail transit projects)
- construction drawing review

In the urban rail transit design related businesses, project owners generally select large-scale and comprehensive design companies with strong capability and extensive experiences through tendering processes. We are capable of providing general design services and also undertake certain specific design, survey or consultancy work for the same project.

According to CCID Consulting, as at 31 December 2013, in terms of the length in operation of the urban rail transit lines on an aggregate basis, we ranked the first among all PRC engineering design enterprises providing general design services in the urban rail transit industry. We are also the first large-scale enterprise engaging in subway survey and exploration and one of the earliest Class A geotechnical engineering survey and exploration enterprises in China.

Our leading position and extensive experience in the area of design, survey and consultancy business in China can be reflected in the following:

- In terms of our design business, according to CCID Consulting, as at 31 December 2013, the total length in operation of PRC urban rail transit lines amounted to approximately 2,746 km. We provided general design services for a total of 726 km length in operation, which accounted for approximately 26.4% of the market share nationwide, ranking us first in the industry nationwide. In addition, as at 31 December 2013, the total length in operation of Beijing urban rail transit lines was approximately 542 km, of which we provided general design services for a total of 283 km length in operation, accounting for approximately 52.2% of the market share in Beijing.

- We successfully completed various landmark projects in the survey area of the urban rail transit industry, including the first subway line in China, the first entirely underground line located in the cobble-boulder stratum with extra-large grain size in Beijing, the first subway line to use shield tunneling machine in construction in Beijing; survey work of urban rail transit projects in complicated and difficult environment and geological conditions, including Lines 9 and 5 of Beijing subway; and the research project on the effects of Jinan rail transit construction on spring water. As at 31 December 2013, we completed survey services for PRC urban rail transit projects with a total length in operation of 768 km.

- We are able to provide comprehensive consultancy services of each stage of planning, design, construction and operation for urban rail transit engineering, especially the construction drawing review of urban rail transit projects. Our various senior engineering and design staff provide examination services in connection with such businesses. As at the Latest Practicable Date, we had provided construction drawing review for urban rail transit projects in 12 major cities in China (including Beijing, Tianjin, Chongqing and Dalian).

- We have successfully combined our professional technique and extensive experience accumulated in design, survey and consultancy to develop markets with respect to transit-related construction and municipal engineering. We are one of the earliest to conduct planning and design for an integrated urban transport hub (the integrated transport hub project of Shenzhen Luohu subway station), the earliest to conduct planning and design for the development of urban underground space (the underground space development and integrated pipeline corridor of Zhongguancun in Beijing), the earliest to design subway operation control centres (Beijing subway operation control centre), a signature project in connection with comprehensive development above depot (the Beijing Tonghui Jiayuan project). In addition, we have provided design services for bus rapid transit systems with a total length of 194 km in China.

- We have played a leading role or participated in the compilation of a number of national and industry standards in the urban rail transit industry. We hold class A qualifications issued by the government in engineering survey, design and consultancy. Please refer to "— Competitive Strengths" for more details.

As at 31 December 2013, we had 1,600 professional technicians in our design, survey and consultancy business, whose expertise covered various professional areas including civil engineering, highway and urban road engineering, industrial and civil construction, heating, ventilation and air-conditioning, machinery, surveying, hydrogeology and engineering geology, electrical engineering and automation, and corporate management. We had 236 professional technicians with professional technical qualifications, including registered architects, registered structural engineers, registered civil engineers, registered public facilities engineers, registered electrical engineers, registered cost engineers, registered urban planners, registered consultancy engineers and first-class constructors.

We regard technological innovation as our core competitive strength and have developed a series of proprietary technologies for the design of urban rail transit and transit-related projects, among which, the proprietary technologies in respect of the rail shock absorption and noise reduction, underground ventilation, underground structure and the design of viaducts have reached advanced international standards. We own two state-level construction methods and have received over 300 awards in connection with our design, survey and consultancy business in the past 10 years. Please refer to "— Competitive Strengths — We are a leading design, survey and consultancy company in the PRC urban rail transit industry, with the longest operating history" in this [**REDACTED**].

For the three years ended 31 December 2011, 2012 and 2013, the revenue from our design, survey and consultancy business was RMB1,164.95 million, RMB1,269.88 million and RMB1,526.19 million, respectively, representing 34.1%, 46.9% and 52.1% of our revenue, respectively.

Design, Survey and Consultancy Business for Urban Rail Transit Engineering

Provision of design, survey and consultancy services for urban rail transit engineering is the most significant component of this segment as measured by revenue and mainly comprise provision of design and consultancy services for subways, light rails, trams and maglev trains. For the three years ended 31 December 2011, 2012 and 2013, the revenue from our design, survey and consultancy business for urban rail transit engineering was RMB838.05 million, RMB871.96 million and RMB1,112.48 million, respectively, accounting for 71.9%, 68.7% and 72.9%, respectively, of our revenue from the design, survey and consultancy segment.

Below are some of our completed landmark projects of design, survey and consultancy for urban rail transit engineering:

Project	Project Description	Our Service(s)	Year of Completion
Phase 1 of Beijing Subway Line 1	The first subway line in China with a length of 22.88 km	Survey, exploration, general design	1969
Shanghai Subway Line 1	The first subway line in Shanghai with a length of 16.37 km	General design (joint project)	1995
Phase 1 of Changchun Light Rail Transit	The first light rail transit in China with a length of 14.6 km	General design	2001
Beijing Subway Line 13	The first entirely on-ground rail line in Beijing, awarded the first prize of Ministerial Outstanding Survey and Design Award (部級優秀勘察設計一等獎) and the first prize of Outstanding Engineering Design and Municipal Engineering Design Award (優秀工程設計市政公用工程設計一等獎)	Survey, exploration, general design	2002
Chaosha Section of Chongqing Subway Line 1	The first subway line in Chongqing, the first subway line in a mountainous city in China, the deepest subway in China, and the first subway tunnel successfully transformed from an underground civil air defence project	General design	2013
Hunnan New District Modern Tram Project in Shenyang	The first modern tram operating network in China with the most advanced tram signal wireless transmission system in China	General design	2013

Our landmark projects under construction include:

Project	Project Description	Our service(s)	Expected Year of Completion
Phase 2 of Beijing Subway Line 6	The only line under construction with "Express transport system" in Beijing with a length of approximately 12.4 km and all stations underground	General design	2014
Beijing Subway Line 14	Currently the longest line under construction of Beijing subway, an "L" shaped rail line	General design	2014
Xijiao Line of Beijing Modern Tram	The first modern tram line in Beijing, starting from Xiangshan Station in the west to Bagou Station in the east with a length of approximately 9.4 km	General design	2016
Western section of the demonstration line of medium-low speed magnetic levitation transit (Line S1) in Beijing	Starting from Cishousi Station of Line 10 in the east with a connection to Line 6, it is the first medium-low speed magnetic levitation transit project in China demanding advanced survey and exploration skills	Survey and exploration	2017
Hefei Subway Line 1	The first subway line in Hefei with a length of 24.58 km, which is the key line connecting the north and the south in the Hefei rail transit network	General design	2016

Design, Survey and Consultancy for Industrial and Civil Construction and Municipal Engineering

For the three years ended 31 December 2011, 2012 and 2013, our revenue derived from design, survey and consultancy for industrial and civil construction and municipal engineering was RMB326.89 million, RMB397.93 million and RMB413.71 million, respectively, representing 28.1%, 31.3% and 27.1% of our revenue from the design, survey and consultancy segment, respectively.

Our design, survey and consultancy business for industrial and civil construction and municipal engineering mainly include:

- *Industrial and civil construction:* Our design, survey and consultancy services for industrial and civil construction typically include urban planning and urban design, design, survey and consultancy services for transportation hubs, metro depot development, development along subway lines and surrounding subway stations, underground space development, public buildings, residential buildings, major sports stadiums, campus buildings, cultural buildings and medical buildings. Our significant projects in this field include:

  - providing survey and design services for the construction of the National Indoor Stadium (國家體育館), the Olympic Village and the Wukesong Culture & Sports Centre, providing survey service for the National Stadium (Bird's Nest) (國家體育場), and conducting a large volume research work on the Olympic projects. We won three National Outstanding Engineering Survey and Design Awards (全國優秀工程勘察設計獎), two Zhan Tianyou Awards (詹天佑獎) and a number of outstanding design awards in Beijing for the above projects;

  - providing design services for one of China's earliest integrated urban transport hub, Shenzhen Luohu Subway Station, which was awarded the Zhan Tianyou Award (詹天佑獎) in 2007;

  - providing design services for Beijing's first intelligent public transit hub project, Beijing Zoo Public Transit Hub, which was awarded the silver prize of the National Premium Project Award (國家優質工程銀質獎) in 2005;

  - providing design services for China's first underground integrated pipeline corridor, the underground space development and integrated pipeline corridor of Zhongguancun in Beijing, which was awarded the second prize of the National Outstanding Engineering Survey and Design Industry Award (全國優秀工程勘察設計行業獎二等獎) in 2009; and

  - providing design services for a signature project in connection with the comprehensive development above depot, the Beijing Tonghui Jiayuan project.

We also have extensive experience in planning and designing urban complexes, large commercial office buildings, hotel buildings and campuses.

- *Municipal engineering:* We mainly provide design, survey and consultancy services for road and traffic engineering, bridge and tunnel engineering, urban water supply and drainage work (including urban water supplies, wastewater, recycled water and municipal water treatment work) and static traffic engineering. Our significant projects in this field include:

    - providing design services for China's first "Central Side Platform" Bus Project — Changzhou Bus Rapid Transit Systems Line 1, which was awarded the Zhan Tianyou Award (詹天佑獎) in 2010;

    - providing design services for the underground pipelines under-crossing the Wukesong Station of Beijing Subway Line 1 in connection with the South-to-North Water Diversion Project. This project is the first project whereby pressured water-pipes of large-diameters under-crossed urban rail transit lines in China. The location of the project is also the key node to control water tunnels between the southern and northern parts of China; and

    - providing design services for the under-crossing heat and sewerage tunnels beneath the Chongwenmen station of the Beijing Subway Line 2. This project involves the application of the active security features of lifting jacks in rail-crossing projects, enabling the subway to remain in operation during the under-crossing construction phase.

Overseas Design, Survey and Consultancy

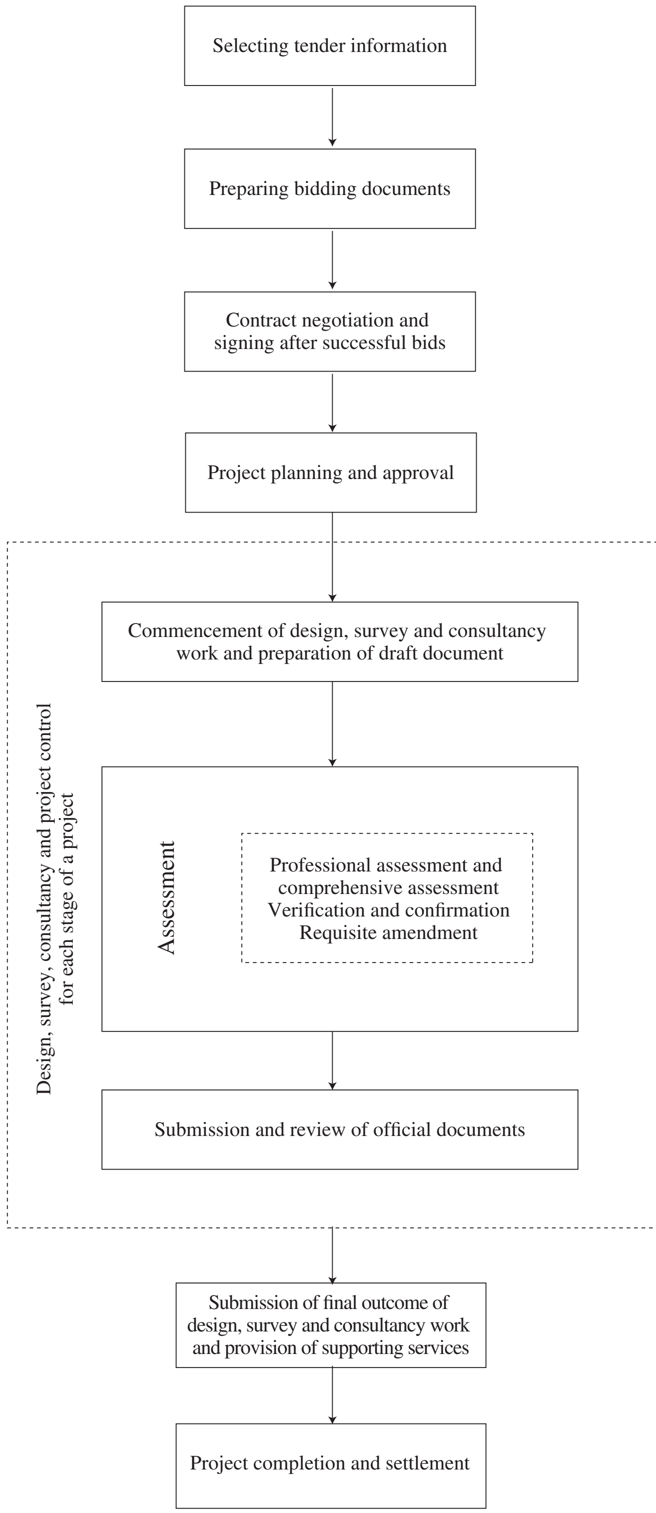
Our overseas design, survey and consultancy business is primarily conducted by our overseas department and Exploration Institute.

We generally enter into agreements with EPC contractors who are typically large-scale PRC companies engaged in overseas construction contracting business. We usually participate in the tendering processes commissioned by the overseas project owners together with such EPC contractors. We then enter into definitive design, survey or consultancy contracts with EPC contractors if they successfully win the bids. During the Track Record Period, we provided design, survey or consultancy services for urban rail transit projects in Vietnam, and social housing projects, municipal engineering and other engineering projects in Angola. We also provided services in Iran during the Track Record Period. Please refer to "— Historical Iran-related Business" for more details.

For the three years ended 31 December 2011, 2012 and 2013, our revenue generated from overseas design, survey and consultancy projects was RMB53.90 million, RMB100.35 million and RMB146.64 million, respectively.

Business Process

We typically go through a tendering process administrated by our clients in order to win a design, survey and consultancy project. The general process is as follows:



The design work for a project typically lasts from approximately one to five years. The survey work typically lasts from approximately six months to three years. The consultancy work typically lasts from one to five years.

We have established project management process control procedures and conducted design, survey and consultancy business based on such procedures, to ensure compliance with relevant contract requirements. We have established a cost control system, under which a common target gross margin is set for each type of project. We set target gross margin for a specific project by taking into consideration the estimated costs, market competition and other factors during the bidding process.

Principal Contract Terms

We generally provide a price quote of our services during the bidding process, and typically rely on our past experience and take into account factors such as the specific project requirements, the estimated cost of labour, workload, market conditions and benefits and risks of establishing a long-term business relationships to come up with a estimated price for undertaking the project before submitting the bidding documents. Our contracts are generally fixed-price. We typically use the market reference benchmarks as our initial base price and adjust it according to the above factors.

Our design, survey and consultancy contracts typically include the following key provisions:

Payment terms

Our contracts typically provide for an advance payment arrangement and monthly, quarterly or progressive payments. Completion of each stage of a project is subject to the verification and acceptance of the project owner.

Our design, survey and consultancy contracts usually require a minimum advance payment from our clients within 30 days after signing a contract. Such minimal advance payment is usually equal to 10% to 40% of the total contract value, which is normally used to cover various costs incurred by us during the early stage of a project.

Our contracts typically require monthly, quarterly or progressive payments. Payment of a design contract usually includes four stages, namely (1) preliminary design; (2) construction drawing design; (3) construction coordination; and (4) acceptance and testing. After the completion of each stage, our project department submits reports on completed work to the project owner. Following the project owner's acceptance of our work, the project department then settles the progressive payment in accordance with the contractual terms and progressive reports which have been verified by the project owner. We monitor the costs throughout the duration of a project to minimise the risk of cost overrun.

Project guarantees

Throughout the duration of our design, survey and consultancy projects, we are generally required under contracts to provide project owners with various guarantees in the form of bidding guarantees, performance guarantees and retention monies.

When bidding for a project, a bidding guarantee generally of a fixed amount is usually required to be made as a condition to participate in the bid. If we are awarded the project but subsequently elect not to enter into the contract, the project owner is entitled to keep the bidding guarantee.

After a successful bid, we are required to deliver a performance guarantee to the project owner. The performance guarantee is provided in accordance with the requirements specified in the bid invitation documents or determined by the project owner after the bid assessment process, in the form of banker's letter of guarantee or deposit. The performance guarantee is typically in an amount equal to 5% to 10% of the total contract value presented for payment by the project owner to the relevant issuing bank or finance company upon our default. The performance guarantee is returned to us after the completion certificate is issued by the project owner confirming completion of the contract.

Upon completion of a project, our clients usually withhold an amount equal to 5% to 10% of the total contract value as retention monies for a warranty period of one or two years. The retention monies may be deducted against any warranty claims during the warranty period as agreed by us. The retention monies are paid to us upon expiry of the warranty period if no disputes arise during the warranty period with respect to our work product.

Liquidated damages

Pursuant to our contracts, if a project is delayed for reasons other than our fault, such as unexpected complex geographic conditions, we are usually granted an extension period equal to such delay. However, if the delay is due to our fault, we are usually required to pay liquidated damages. For design contracts, the amount of liquidated damages is typically determined by the relevant proportion of loss incurred for the project (such as 10% to 30%) but capped at the amount of the design fee. For survey contracts and consultancy contracts, the amount of liquidated damages is typically determined by a fixed amount or a fixed percentage of the total contract value.

In addition, a client may have the right to appoint a third party to complete the work, and to deduct the additional costs or charges incurred for completion of the work from the contract price. We have the right to demand an extension of the duration of work required due to additional volume of work requested by the project owner or the third party or as a result of any force majeure event.

During the Track Record Period, we did not experience any incidents that resulted in material liquidated damages.

Subcontracting

Generally, a contract cannot be subcontracted without the project owner's approval. With the project owner's approval, specific projects can be subcontracted to other enterprises which possess relevant qualifications. Some contracts also set out that the number of external staff should not exceed a certain percentage of the total number of the staff involved.

Under the general design management model, various specialised design units are selected by project owners through tendering processes and we may not appoint any other subcontractors. To ensure the progress or increase the overall profitability of a project, under the design general contracting model, we engage in labour subcontracting or appoint specialised design subcontractors if necessary to provide certain services which we do not provide subject to the requirements of the contract. The contract entered into with the design subcontractor generally reflects the terms of the general contract. Under this model, we and the subcontractors are jointly liable to the project owners for quality problems arising from the subcontracting projects.

Variations and adjustments

Change of contract includes the changes to the contract-based engineering project and our working plan, scope of work or duration of service under the contract.

A project owner is generally permitted to unilaterally change a contract. We are permitted to propose to the project owner a change the provisions of the contract to ensure the project can meet certain requirements. However, we may not unilaterally change the contract without the consent of the project owner. The change of contract may not result in an adjustment of our expenses.

Our design contracts generally provide that the design service fee is determined by a fixed price. In general, the fee does not change regardless of the design period and repeated amendments to the design plan made by the project owner before confirmation. However, both parties may otherwise negotiate to change the design service fee if there is a material change in the design plan at the request of the project owner. The design service fee can usually be changed if the design is completed and reviewed by the project owner and the change is not caused by us.

Our survey contracts generally require that only when a change to the contract is made under specific circumstances and the change is material (such as there are more changes of the scope of work under the contract or the extension of the agreed service term is significant) can the parties change the price of the contract correspondingly. For a contract with an agreed fee cap when signed, the price of the contract may not be adjusted even though the scope of work is changed.

There are generally no provisions regarding the change of contract and adjustment of expenses in most of our consultancy contracts. A few contracts provide that the price will not be changed as long as the change to the project by the project owner does not cause the extension of the project to exceed a certain period of time.

CONSTRUCTION CONTRACTING BUSINESS

Overview

In December 2012, BUCG injected its assets into the rail transit general contracting business into us at nil consideration, which became our construction contracting business segment. Please refer to "History, Reorganisation and Corporate Structure — Corporate Structure and Business Segments — Reorganisation".

We engage in the construction contracting business for urban rail transit engineering through our rail transit engineering general contracting department. The business mainly comprises various specialised areas of civil engineering, equipment installation and refurbishment of urban rail transit engineering, such as station construction (including the above-ground stations, underground stations and elevated stations), viaducts, tunnels, as well as waterproof, dewatering and civil air defence facilities. The business models mainly include:

- PC contracting: under this approach, we are responsible for the procurement of general equipment and materials for construction. In addition, we are in charge of the execution of the construction plan in accordance with the design plan and schedule provided by the project owner. During the Track Record Period, most of our construction contracting projects were conducted through PC contracting model.

- EPC contracting: under this approach, depending on the terms of the contract, we provide contracting services for either the entire project or for certain stages in the project including survey, design, procurement, construction, testing and commissioning of an engineering project. We are responsible to the project owner for the quality, timing, and cost of the project. We entered into a series of contracts through EPC contracting in November 2012 and July 2013, for the northern and southern sections of a demonstration tram line for the rail transit equipment and materials manufacturing campus of Chengdu Xinzhu Corporation (成都新筑股份). This is the first EPC Contracting project for modern tram lines in China. Its northern section was completed, while the southern section is still under construction. By integrating our rail transit contracting business with our design, survey and consultancy business, we aim to undertake more EPC projects in the future.

  We adjust our contracting models depending on the market and client demand. As the markets where we provide urban rail transit engineering services become mature, we expect that the sophistication of the requirements of EPC project owners will also increase and become more complex. Over time, we expect that we will gradually migrate our business from a PC contracting model to an EPC contracting model.

During the Track Record Period and up to the Latest Practicable Date, we had one project under the EPC model and had not undertaken any construction contracting business under the BT, BOT and PPP models. See "Glossary of Technical Terms" for explanations of the EPC, BT, BOT and PPP models. In comparison with the PC and EPC contracting models, the BT, BOT and PPP models in general would involve greater exposure to financing risks of the project, and the capital requirements are generally higher under these models. Under the PC and EPC models, a contractor will be generally be responsible for the cost of the construction and may receive payments for the work completed by instalments. For more details, please refer to "Risk Factors — Risks Relating to Our Business and Our Industry — We may be exposed to unpredictable challenges when expanding our business into new fields, particularly in the BT, BOT and PPP businesses".

The following table sets forth the details of duration, capital requirement, responsibility, operational and financial risks of each of the BT, BOT and PPP models:

	BT	BOT	PPP
Duration	Relatively short without involvement of operation stage	Relatively long till the end of concession period	Relatively long till the end of the partnership, *e.g.* concession agreement or joint venture
Capital requirement	Large (usually in the form of equity and debt) but can be paid back after the project is transferred to the project owner	Large (usually in the form of equity and debt) and can receive reimbursement of its costs and investment return throughout the concession period	Large (usually in the form of equity and debt) and can only be paid back till the end of the partnership
Responsibility of private contractor or partner	Financing, design, construction, and turn key to the project owner	Financing, design, construction, operation and maintenance, and transfer to the project owner	Financing, design, construction, operation and maintenance by the private partner or through the joint venture
Operational risks	Design and construction difficulties, *e.g.* unforeseen soil conditions, breakdown of equipment; market risk, *e.g.* change in the price of raw materials, or equipment	Other than design and construction difficulties and market risk, also include risks associated with operation and maintenance stage, *e.g.* controlled fare levels, traffic accidents and fire break-outs, competition from other transportations	
Financial risks	Primarily interest rate risk (relatively lower than BOT and PPP as short duration) and cost overrun risk	Other than interest rate risk and cost overrun risk, also include income risk, *e.g.* over-optimistic cash-flow forecasts, long period of account receivables	

Engineering and construction contracting projects under different contracting models generate different levels of gross profit. An EPC contracting model requires the contractor who should have extensive project management capabilities and strong execution capabilities to manage the entire project process. A BT business model, under which, we are responsible for project financing and construction while the project owner repurchase the project and pays us after completion and acceptance, requires the contractor to finance the project, which will generate a risk premium. As such, the gross profit margins of EPC contracting projects and BT projects are typically higher than those of PC contracting projects.

We hold the Special Qualification in Urban Rail Transit Engineering Contracting (城市軌道交通工程專業承包資質), Class A Qualification in General Construction Contracting for Municipal Engineering (市政公用工程施工總承包一級資質), Class A Qualification in General Construction Contracting for Building Construction (房屋建築工程施工總承包一級資質) and the Certificate of Qualification for Contracting Overseas Projects (對外承包工程資格證書), among which Class A Qualification in General Construction Contracting for Municipal Engineering and Class A Qualification in General Construction Contracting for Building Construction are required for undertaking urban rail transit engineering projects. As at 31 December 2013, we participated in PC contracting of 29 urban rail transit lines in China, which included 61 stations and 69 tunnels. We undertook construction contracting projects in major cities of China, including Beijing, Guangzhou, Shenzhen, Tianjin, Hangzhou and Dalian.

For the three years ended 31 December 2011, 2012 and 2013, the revenue from our construction contracting business was RMB2,255.31 million, RMB1,435.26 million and RMB1,401.37 million, respectively, accounting for 65.9%, 53.1% and 47.9% of our revenue for the corresponding period, respectively.

Construction Contracting Business for Urban Rail Transit Engineering

Our construction contracting business focuses on the urban rail transit engineering projects. Substantially all of the revenue from our construction contracting business segment was derived from the construction contracting business for urban rail transit engineering during the Track Record Period.

As at 31 December 2013, we participated in urban rail transit PC contracting projects with a total length of 95.16 km, which included 61 stations and 69 tunnels. We have accumulated extensive experience in the areas of construction techniques and construction contracting management of urban rail transit projects. We have provided and are currently providing construction contracting services for a number of rail transit lines across China, including:

- Undertaking the construction work or providing PC contracting services for the urban rail transit lines in Beijing:
  - Beijing subway lines 1, 2, 4, 5, 7, 8, 9, 10 (phases I and II), 13, 14 and 16, Batong Line, Fuba Line, Yizhuang Line, Fangshan Line, Daxing Line and Changping Line
  - Beijing Airport Express
  - Beijing Maglev train S1 line
- Providing PC contracting services for urban rail transit lines in other cities of China:
  - Guangzhou: north extension section of Rail Transit Line 3, subway lines 13 and 21
  - Shenzhen: phase II of subway line 3
  - Hangzhou: subway line 1
  - Tianjin: subway line 3

- Dalian: phase I of subway line 1
- Zhengzhou: subway line 1

Our main construction technologies for urban rail transit projects include tunnel engineering construction, underground geotechnical engineering construction, bridge engineering construction, building structure construction, and electrical and mechanical equipment installation. We also have professional technicians with extensive experience in machinery and equipment management and operation management. In addition, we have two patents, six patent applications and one Beijing construction method regarding shield tunneling construction method. The rail transit engineering projects undertaken by us received nine national-level awards and 14 Beijing municipal awards in the past three years. We provided construction or PC contracting services for many "first of its kind" projects in China, such as Beijing Subway Line 1, the first railway line in China, and a 32-metre long train station using a subsurface excavation method with a flat top and straight walls running alongside the tunnel. In addition, we provided the PC contracting services of an entire urban rail transit line under BT model in Beijing. Furthermore, we were also the first to adopt the freezing method for tunnel construction, and the first to adopt the shield tunnelling construction method in Beijing.

Our clients in the construction contracting business mainly include the municipal governments and their affiliated entities in major cities in China. The following table sets forth our landmark projects of construction contracting business for urban rail transit engineering completed in recent years:

Project	Project Description	Our Service(s)	Year of Completion*
Xidan Station and Section 11 of Beijing subway line 4 project	The project was located at the city centre. Its interval applied shield tunneling construction method and the train station used the open-cut method. We accumulated experiences of construction of rail transit engineering at the city centre. The project won the Zhan Tianyu Award.	PC contracting	2009
Fang Shan Line Project	A rail transit line in outer suburban district of Beijing with a length of 24.8 km. The project won the highest national quality award — National Municipal Gold Cup Demonstration Project (全國市政金杯示範工程).	PC contracting	2011
Section 6 of civil construction of Beijing Subway Line 9	New shield tunneling construction method was created under the project to break through large-diameter boulder strata, achieving advanced international standard. This project was awarded the gold prize of Beijing Great Wall Cup (北京市竣工長城杯金質獎).	PC contracting	2012

Project	Project Description	Our Service(s)	Year of Completion*
Yizhuang Line Project	A rail transit line entirely constructed under BT model in Beijing. It only took us two and a half years to complete the construction of the line with a length of 23.2 km, and put it into operation. The project won the highest national quality award — National Municipal Gold Cup Demonstration Project (全國市政金杯示範工程).	PC contracting	2012

* *Note:* The year when the urban rail transit lines were put into operation.

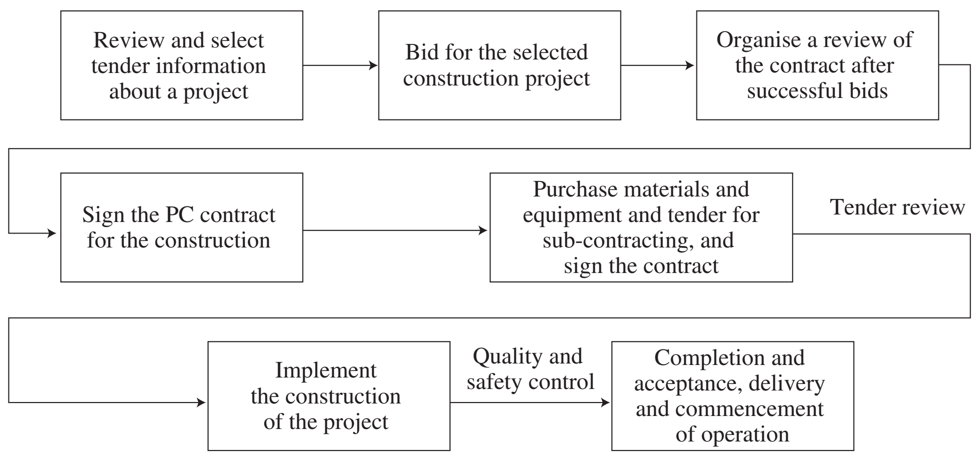
The following table sets forth our landmark projects of construction contracting business for urban rail transit engineering under construction as at 31 December 2013:

Project	Project Description	Our service(s)	Expected Year of Completion
Demonstration line of the rail transit campus of Chengdu Xinzhu Corporation (成都新築股份) under EPC model	The first rail transit project constructed under EPC model in China.	EPC contracting	2014
Section 02 of civil engineering of the western section of the demonstration line of medium-low speed magnetic levitation transit in Beijing (Line S1)	The first rail transit line using medium-low speed maglev technique in China.	PC contracting	2015
Beijing Rail Transit Line 7 Project	Complex and diversified construction methods were applied in the large-section excavation tunnel of the project.	PC contracting	2014
Section 05 of civil engineering construction of Beijing Subway Line 14	Cross-interchange station at Lize Business District, constructed in combination with other underground structures, with complicated structure and challenging construction operation.	PC contracting	2016

As at the Latest Practicable Date, we did not have overseas business in our construction contracting business.

Business Process

Our construction contracting business requires us to enter into a tendering process. In general, the business process of our construction contracting business is set out as below:



The durations of our construction consulting projects typically last two to five years.

Major Equipment

Shield tunneling machines, which are used to form a tunnel structure with reinforced concrete shell during construction, constitute major equipment of our construction contracting business. We own four shield tunneling machines that are used in the course of our business. We usually carry out any necessary maintenance work on our shield tunneling machines following completion of each project where a shield tunneling machine is used. A shield tunneling machine can usually excavate a tunnel of 6 to 10 km before it has to be replaced or become subject to substantive maintenance work.

Principal Contract Terms

Most of our construction contracts set out the agreed price and the specific timetable for completion of a project. We usually determine the price of a contract by a fixed unit price based on the volume of work. Upon request by our clients (for example, project owners or EPC contractors), we quote the total contract price or the unit price for our work. Most of our construction contracts have a fixed contract price, while some contracts contain a price adjustment machanism. When the price adjustment mechanism is triggered, for example, when design or scope of work changes, or under other circumstances which cause an interruption of construction and an increase in the cost, we may re-negotiate the contract price and enter into a supplemental agreement with the client. For construction contracts without price adjustment clauses, we generally include a contingent amount in our bid price in order to be protected from any possible cost increase. Our construction contracts typically contain the following provisions:

Prepayment and Progressive payment

Most of our PC contracts generally require our clients to make a prepayment of 5% to 25% of the total contract value to us within no later than seven days before the commencement of a project. It typically takes us three to four years to complete an engineering and construction contracting project. Clients generally pay by monthly instalments according to our monthly construction progress, with a monthly summary of the construction progress approved by supervising engineers engaged by the clients. After the project is completed, we notify the clients, and the clients then send supervising engineers to carry out final inspection on and acceptance of our construction work. If our completed work is determined to comply with the relevant completion and inspection standards, supervising engineers then issue a formal completion and inspection report to our clients. Final payment (after deducting the retention monies as described below) is usually made to us within two months after monthly payment certificates or final payment certificates issued by the supervising engineers are sent to clients.

Prepayment guarantees and performance guarantees

Clients typically make a prepayment of 10% of the contract value, while we provide them with a prepayment guarantee in an equal amount to ensure our ability to return the prepayment made by our client if we are not able to fulfil our contractual obligations. The prepayment guarantees are generally reduced in instalments regularly or based on the actual project progress. When a construction contracting project enters into each construction stage as specified in the related contract, the client pays a certain amount of the contract value in instalments as the project progresses, which we refer to as progress payments. In order to ensure our performance of the obligations under the contracts, clients typically require us to provide performance guarantees (typically 10% of the contract value) to guarantee satisfactory completion of project by us. Performance guarantees typically are released after the lapse of a period of time as specified in contracts after completion of projects.

Liquidated damages

When a project is delayed due to reasons other than our fault, such as when extra or additional quantity and nature of work is required, or when delay is caused by inclement weather, abnormal geological structure or the project owners, we are usually allowed to extend the time of completion and are compensated for the extra costs arising therefrom. However, if delays result from our negligence, we are generally required to pay liquidated damages based on a certain amount or the agreed rate for each day of delay. If delays are caused by our negligence or defective work, the project owners are also entitled to engage third parties to complete the project, and deduct the additional costs or charges incurred for completion of the work from the contract price.

Retention monies

Clients generally withhold an amount equal to 5% of the contract value as retention monies when they make final payments to us as a security to the clients with respect to any possible defects of construction quality during the warranty period. The contract warranty period is usually one to two years after completion of a project. During the warranty period, we are responsible for any defects during construction under the terms of the contracts. We have set up comprehensive measures on quality control. Please refer to "— Quality Control".

Variations and adjustments

In the course of most of the construction projects, clients may revise or amend the original contract to reflect changes in specification or design, method or manner of execution, facilities, equipment, site conditions or completion deadline. Generally, the revised contract price is re-assessed based on the unit price and total price under the original contract. If there is no change to the applicable unit price and total price in the original contract, they form the basis for valuation to the extent they are reasonable. Otherwise, a price is determined after our negotiation with the supervising engineers and project owners. Changes in the contract price and losses incurred by us due to changes in the project which are not a result of our negligence or default are usually borne by the project owners and the schedule of completion will generally be extended accordingly.

Subcontracting

We are allowed to subcontract non-substantial parts of the contracted projects and specialised parts of contracted projects, such as waterproofing and dewatering.

In line with the market practice in China, we typically carry out the actual construction work on our contracted projects by engaging subcontractors directly or through labour services agents. Subcontractors are managed and supervised by us. For details including our hiring of subcontractors, subcontract cost management and key terms of the subcontracts, please refer to "— Suppliers and Subcontractors — Subcontractors".

According to PC contracts and PRC law, we (as the main contractor) are responsible for the misconduct of our subcontractors, and we are entitled to claim against our subcontractors for any damages sustained by our clients or other third parties. Please refer to "Risk Factors — Risks Relating to Our Business and Our Industry — We rely on third parties, including subcontractors, to complete certain projects and are subject to risks arising from the non-performance, late performance or poor performance by such third parties" in this [**REDACTED**].

During the Track Record Period and as at the Latest Practicable Date, we did not incur any significant damages, penalties or other liabilities arising from misconduct or contractual violations of our subcontractors.

BACKLOG AND NEW CONTRACT VALUE

Backlog

Backlog is the total estimated value of uncompleted contracts as at a certain date, net of applicable value added tax. Such estimated contract value fluctuates from time to time as a result of any change in project scope or adjustment to contract terms. Our backlog is also affected by our entry into new contracts.

Our design, survey and consultancy contracts are awarded to us typically on a fixed-price basis. Therefore, our practice is to record the total estimated contract value in the backlog once a design, survey and consultancy contract is awarded or confirmed. As and to the extent that our client adjusts the scope or performance schedule of a design, survey and consultancy contract, our estimate of the value of contract in the backlog is adjusted accordingly. As at 31 December 2013, 64.7% of our backlog was in relation to our design, survey and consultancy contracts.

Our construction contracts are generally fixed-price contracts with an agreed completion schedule. Some of them also contain detailed schedules for fee adjustments upon the occurrence of specified events, such as price increases in raw materials. In addition, our clients may from time to time issue change orders to us to reflect changes to design, method, facility, equipment and target completion date. Such change orders will result in corresponding adjustments to our estimated contract value in the backlog. As at 31 December 2013, 35.3% of our backlog was in relation to our construction contracting contracts.

The following table sets forth our backlog by segments and their respective changes as at the dates indicated:

	As at 31 December		
	2011	**2012**	**2013**
	(RMB'000)	**(RMB'000)**	**(RMB'000)**
Design, survey and consultancy business	4,315,424	4,537,938	5,314,640
Urban rail transit	3,607,541	3,485,300	4,133,024
Industrial and civil construction and municipal engineering	707,883	1,052,638	1,181,616
Construction contracting business	2,690,772	2,403,565	2,904,449
Total	7,006,196	6,941,503	8,219,089

As at 31 December 2013, we had 17 PC and one EPC construction contracting projects, among which seven PC construction contracting projects had been substantially completed with a backlog of approximately RMB31.8 million. The remaining 11 projects were uncompleted contracts. The total amount of revenue historically accumulated and recognised under these 11 contracts was approximately RMB1,160.6 million, or 28.8% of the estimated total contract value of these 11 contracts, which was approximately RMB4,033.2 million. The revenue accumulated and recognised as referred to above are calculated before PRC business tax. Accordingly, the backlog of these remaining 11 projects was approximately RMB2,872.6 million as at 31 December 2013. The revenues of the backlog will be recognised during the course of construction and upon completion of these projects. The backlog figures are calculated based on the assumption that the relevant contracts will be performed in accordance with their terms. Any modification, termination or suspension of these contracts by our clients, especially with regard to any one or more sizeable contracts, may have a substantial and immediate effect on our backlog. Please refer to "Risk Factors — Risks Relating to Our Business and Our Industry — Our backlog may not be a reliable indicator for our future results of operations". Most of these 11 contracts are for a contractual term of more than two years. The latest completion date of these contracts is expected to be at the end of December 2016. Other than the 17 PC and one EPC uncompleted contracts, the Company did not have BT, BOT or PPP contracts as at 31 December 2013 or at the Latest Practicable Date. A summary of overall backlog and other relevant information of the 11 uncompleted contracts is as follows:

Estimated Contract Value (RMB million)	Backlog as at 31 December 2013 (RMB million)	Revenue Expected to be Recognised in 2014 (RMB million)(1)	Revenue Expected to be Recognised in 2015 (RMB million)(1)	Revenue Expected to be Recognised in 2016 (RMB million)(1)
4,033.2	2,872.6	1,084.9	1,207.1	580.6

Note:

(1) The revenue expected to be recognised is calculated before PRC business tax.

The above disclosure includes various forward looking statements, such as the revenue expected to be recognised in 2014 to 2016, based on various assumptions, projections, estimates and beliefs as well as the non-occurrence of the various risks set forth in "Risk Factors — Risks Related to Our Business and Our Industry." Many of such assumptions, projections, estimates and beliefs relate to matters that are outside of our control. In addition, other unanticipated events and circumstances could affect the accuracy of our disclosure set forth above. As a result, we cannot and do not make any representation with respect to the accuracy of the above disclosure. You should be aware that actual results may vary, potentially materially, from the above forward-looking statements.

The following table sets forth the details of the 11 individual contracts:

No.	Project	Description of project	Actual commencement date	Expected completion date	Business model	Estimated contract value (RMB million)	Approximate percentage of completion of project as at 31 December 2013 (%)
1	Project A	Construction of a section of a subway	September 2010	December 2014	PC	629.9	85.4
2	Project B	Construction of supply line	July 2012	September 2014	PC	338.2	58.0
3	Project C	Construction of a section of a subway	May 2011	December 2016	PC	620.3	46.8
4	Project D	Construction of a section of a subway	December 2010	October 2015	PC	311.4	18.6
5	Project E	Construction of a section of a subway	September 2013	June 2015	PC	386.5	8.7
6	Project F	Construction of a section of a subway	June 2012	December 2015	PC	297.7	1.6
7	Project G	Construction of a section of a subway	July 2013	December 2016	PC	365.0	0.6
8	Project H	Construction of a section of a subway	September 2013	December 2015	PC	365.6	0.5
9	Project I	Construction of a section of a subway	August 2013	December 2016	PC	397.0	0.5
10 ...	Project J	Construction of a demonstration rail transit line	September 2013	March 2015	PC	261.6	0.0
11 ...	Project K	Construction of a demonstration rail transit line	November 2012	December 2014	EPC	60.0	39.8

New Contract Value

New contract value is the aggregate monetary value of the contracts we enter into during a specified period. In cases where we have commenced work with respect to a contract which has not been signed, the new contract value equals to the price at which the contract is awarded. For the three years ended 31 December 2011, 2012 and 2013, our new contract value of our operations was approximately RMB1,762.43 million, 2,937.62 million, and RMB4,237.94 million, respectively.

The following table sets forth our new contract value for the periods indicated:

	2011	2012	2013
		(RMB'000)	
Design, survey and consultancy business	1,318,088	1,756,552	2,311,472
Urban Rail Transit	1,026,175	963,902	1,797,396
Industrial and civil construction and municipal engineering	291,913	792,650	514,076
Construction contracting business	444,341	1,181,072	1,926,466
Total	1,762,429	2,937,624	4,237,938

MARKET AND COMPETITION

According to CCID Consulting, as at 31 December 2013, there were 92 completed rail lines in operation in 19 cities in the PRC, with a total length of 2,746 km. As at 31 December 2013, NDRC approved urban rail transit projects for 36 cities in the PRC and 43 other cities have completed or commenced urban rail transit planning. The total planned length of urban rail transit in China is expected to reach 13,385 km by 2020, thus it is expected that the market will maintain a rapid pace of development over the next five years.

Design, Survey and Consultancy Segment

The PRC urban rail transit industry is the primary market for our design, survey and consultancy business. Entry barriers to the design, survey and consultancy business of the PRC urban rail transit industry are relatively high and various qualifications relating to consultancy, design and survey are generally required. However, we expect to face more domestic and international competitors in the future. We are currently in the leading position of the design and survey market of the urban rail transit industry. Our current competitors mainly include design and research institutes of State-owned enterprises, such as China Railway Eryuan Engineering Group Co., Ltd. (中鐵二院工程集團有限責任公司), The Third Railway Survey and Design Institute Group Corporation (鐵道第三勘察設計院集團有限公司) and regional design and research institutes, such as Shanghai Tunnel Engineering & Rail Transit Design and Research Institute (上海市隧道工程軌道交通設計研究院) and Guangzhou Metro Design & Research Institute Co., Ltd. (廣州地鐵設計研究院有限公司).

We mainly compete against our competitors in terms of a broad range of aspects, including technology, quality and price of service as well as qualification, project management capability, experience and financing capability. Compared to our competitors, our major advantages are our long operating history, extensive project experience, expertise in many different fields, large talent pool and excellent R&D capability in technology. Higher market share and nation-wide marketing networks allow us to keep abreast of project information, while quality service and reputation within the industry allow us to be well positioned to capture opportunities in the market competition. We plan to continue to leverage our existing advantages of technologies and experiences to maintain our leading position in the market by integrating the businesses for all the stages of the urban rail transit design and construction process along with research and development of our own technologies.

Construction Contracting Segment

As urban rail transit industry requires strict qualification and significant capital investment, the participants in the construction contracting sector in the PRC urban rail transit industry are mostly major State-owned enterprises including construction subsidiaries of China Railway Group Limited (中國中鐵), China Railway Construction Corporation (中國鐵建) and regional urban rail transit construction companies.

We are able to provide comprehensive business solutions covering all the primary stages in the urban rail transit engineering process, which enables us not only to provide innovative design plans and flexible construction methods, but also effectively to optimise the construction quality and potentially decrease the cost of construction contracting.

Major clients

Our major clients are municipal government-affiliated entities, who are the owners of urban rail transit projects, such as Rail Transit Company (one of our Strategic Investors), Zhengzhou Metro Co., Ltd. (鄭州市軌道交通有限公司), Dalian Metro Construction Project Leading Group Office (大連市地鐵建設項目領導小組辦公室) and Nanjing Metro Group Co., Ltd. (南京地鐵集團有限責任公司). We have established working relationships with each of these major clients for at least five years.

For the three years ended 31 December 2011, 2012 and 2013, revenue derived from our five largest clients accounted for 71.9%, 62.4% and 53.9% of our total revenue for the corresponding period, respectively. During the Track Record Period, Rail Transit Company was our largest client, and our revenue derived from Rail Transit Company accounted for 59.6%, 45.3% and 38.1% of the total revenue for the corresponding period, respectively. Please refer to "Risk Factors — Risks Relating to Our Business and Our Industry — A significant portion of our revenue is derived from a wholly State-owned enterprise, Rail Transit Company, which exposes us to significant concentration risk" in this [**REDACTED**]. Our reliance on Rail Transit Company decreased during the Track Record Period in terms of the percentage of revenue derived from Rail Transit Company, and in the meanwhile, we endeavour to diversify our client base by continually expanding our business network in different regions in China and overseas. Our Directors believe, with the PRC government granting more approvals for urban rail transit projects in other cities in China, together with our diversification strategy and efforts, the relative revenue contribution from Rail Transit Company, which mainly operates in Beijing, is expected to further decrease. It is not in our commercial interest to reduce our level of business activities with Rail Transit Company by changing our business model in the construction contracting segment as Rail Transit

Company is a business arm of the Beijing Municipal Government in the urban rail transit industry in Beijing. To the best knowledge of our Directors, as at the Latest Practicable Date, save for Rail Transit Company, none of our Directors, Supervisors, their associates and any shareholders holding 5% or more of our issued share capital had any interest in our five largest clients mentioned above.

In addition, we have provided design, survey and consultancy services to BUCG. For the three years ended 31 December 2011, 2012 and 2013, within the design, survey and consultancy segment, our revenue derived from BUCG and its affiliates was approximately RMB4.74 million, RMB25.67 million and RMB17.05 million, respectively, accounting for approximately 0.4%, 2.0% and 1.2% of the revenue of such segment for the corresponding period, respectively.

Sales and marketing

Engineering design, survey and consultancy, and construction contracting projects in China are generally awarded through public tenders, in which only qualified contractors may participate. Our marketing team comprises 71 sales persons in the marketing department of our headquarters and various branches. Each branch collects information on the local market conditions and customer demands and preferences, as well as tender information for new design, survey and consultancy projects. Each branch then reports such information to the marketing department of our headquarters for the headquarters to arrange for the bid.

SUPPLIERS AND SUBCONTRACTORS

Suppliers

Under EPC contracting and PC contracting models, we are usually responsible for the procurement of all or a portion of the raw materials. We adopt two procurement methods, namely self-procurement or procurement by subcontractors, while we are responsible for quality control in both cases. These raw materials mainly include steel, cement and waterproofing materials. Our inventory mainly consists of raw materials and other low-value consumables required in our construction contracting projects. Our policy is to keep the inventory level as low as practicable. We closely monitor and control the inventory level of raw materials in order to satisfy project requirements and scheduling demands.

For self-procurement, we have established good relationships with the major suppliers of raw materials. We have relatively strong bargaining power by maintaining cooperative relationships with more suppliers and seek to reduce the risk of price fluctuation to ensure high quality of the purchased raw materials to the best of our abilities.

For raw material procurement by our subcontractors, because the subcontracting price is pre-determined and usually includes the price of purchased raw materials, we are generally not affected by price fluctuations in raw materials.

Our major suppliers are normally companies specialised in the sale of construction raw materials (such as steel) and the provision of subcontracting services in the urban rail transit industry in the PRC, consisting of connected persons, and Independent Third Parties. For the three years ended 31 December 2011, 2012 and 2013, purchases from our five largest suppliers of goods or services (including subcontracting services) accounted for 17.1%, 20.8% and 19.8% of our total purchases, respectively. We have maintained business relationships with those suppliers ranging from one to five years. Our largest supplier of goods or services (including subcontracting services) was not the same company throughout the Track Record Period. For the years ended 31 December 2011, 2012 and 2013, purchases from our largest supplier of goods or services (including subcontracting services) accounted for approximately 5.0%, 7.2% and 6.9% respectively, of our total purchases.

During the Track Record Period, each of Beijing Urban Construction Installation Engineering Company, Ltd. (北京城建安裝工程有限責任公司), Beijing Urban Construction & Zhongnan Group of Civil Engineering Co. Ltd. (北京城建中南土木工程集團有限公司) and Beijing Urban Construction Five-Dimensional Municipal Engineering Co., Ltd. (北京城建五維市政工程有限公司) had become one of our five largest suppliers of goods or services (including subcontracting services) for one year or more, and BUCG held 24%, 6% and 26.15% interest in these companies, respectively. Save as disclosed above, to the best knowledge of our Directors, as at the Latest Practicable Date, none of our Directors, Supervisors, their associates or any shareholders holding 5% or more in our issued share capital had any interest in our five largest suppliers of goods or services (including subcontracting services).

During the Track Record Period, we did not experience any shortage or delay in the supply of raw materials that had a material adverse effect on our business operations.

Subcontractors

Under the general design contracting model, to ensure the progress of projects or enhance the overall profitability of projects, when permitted by a contract, we subcontract certain labour work or appoint specialised design subcontractors to provide services that are normally not provided by us. Under PC contracting and EPC contracting models, we normally procure services from subcontractors, so as to undertake construction and non-core engineering, such as earthwork, waterproofing or dewatering construction.

Our subcontractors are normally companies specialised in construction, design, survey or consultancy, including subsidiaries and/or associates of BUCG and Independent Third Parties. Subcontractors are usually appointed through a tendering process or a process of pricing enquiries from a list of preferred subcontractors maintained by us or appointed by the project owner. In the tendering process, we usually appoint subcontractors based on selection criteria including experience in business, professional qualifications, historical performance and market position. For the three years ended 31 December 2011, 2012 and 2013, subcontracting costs accounted for approximately 53.6%, 45.7% and 41.7% of our total cost of sales, respectively.

We have implemented measures to manage our subcontracting costs, including: (i) adopting a series of strict cost auditing measures, which are reviewed regularly; (ii) dispatching a specialist to supervise and manage subcontractors work on-site and holding meetings with subcontractors periodically to discuss progress and cost management; (iii) maintaining a list of preferred subcontractors, which is reviewed and updated regularly; and (iv) hiring subcontractors through tendering processes. We typically solicit bids from at least three potential subcontractors, primarily based on their qualifications, proposed subcontracting fees and historical performance. Generally, we are required to obtain our clients' consent before we subcontract.

Our subcontracts generally stipulate that subcontractors should be liable to us for their work products and we should be liable for all work products arising from the contract (including the work products of subcontractors) to project owners. Our subcontracts also stipulate the quality standard of work products and quality control measures which should be adopted by the subcontractors in respect of work product, confirmation and adjustment of the subcontracting fees, cost control of subcontractors and termination provisions of the contract.

The following is a summary of the key terms of our subcontracting contracts:

- Responsibility of each party: subcontractors should provide services strictly in accordance with the stipulated scope of construction services and quality requirement of subcontracts, and be accountable for the quality and service of their own work. In case of any construction, property and personal damages caused by non-compliance with relevant laws and regulations regarding construction safety by the subcontractors, the subcontractors should bear full liabilities and all the expenses incurred. According to the PRC laws, we (as the main contractor) are liable to the clients and third parties for the misconduct of subcontractors and we are entitled to make claims against the subcontractors.

- Purchasing raw materials: the raw materials required in the construction will be procured by subcontractors themselves or will be provided by us in accordance with the contract. If the contract provides that the raw materials are purchased by subcontractors, the raw materials fees are usually included in the subcontracting price.

- Quality control: during the construction period, subcontractors are required to be under our supervision and management and comply with our universal guidance. Subcontractors also should be subject to ad hoc and regular construction quality inspection by the project owner, the supervising engineer and us and should provide convenient conditions for inspection. Subcontractors should also rework or modify their work products and bear the cost incurred and the losses from the project delays caused by their own actions.

- Subcontracting fees: subcontracting fees mainly comprise material fees, labour fees and machinery equipment fees. Subcontractors should use their own corporate name to sign the contracts related to purchasing materials, leasing machinery equipment, labour subcontracting, etc.

- Termination clause: if subcontractors assign the project or subcontract the project without permission, we are entitled to terminate the contract unilaterally. The volume of performed work will be calculated according to the terms of the contract. We are also entitled to replace the project manager and construction team of the subcontractor if they are not able to perform obligations of the contract appropriately.

The work quality and health and safety records of our subcontractors are carefully taken into consideration as part of our project management system because contractually and under applicable laws we are generally responsible for the performance of our subcontractors. We have adopted various measures to monitor the performance of subcontractors, including regular meetings with subcontractors, monthly work progress reports, regular and temporary work field inspection, work field supervision and technical consultant monitoring, project training and technical cooperation arrangements. Most of the subcontractors we appoint are independent from us.

TECHNOLOGY AND RESEARCH AND DEVELOPMENT

In the course of providing engineering design services for urban rail transit engineering, we continuously collect and improve our technical expertise, in an effort to develop our core technologies and establish our core competitive strength. We have advanced technologies in rail shock absorption and noise reduction, ventilation of underground space, underground structure and viaducts. According to our research and development policy, a certain percentage of our total revenue is required to be allocated for research and development per annum.

We have been proactively promoting the commercialisation of new technologies, in particular those relating to energy conservation and carbon emission reduction, integrated utilisation of resources, renewable resources, safety and environmental protection in order to greatly enhance the technologies involved in the products.

We have entered into technology services contracts with Beijing Jiaotong University and Wuhan University of Technology, respectively. The Research Center on Urban Rail Transit, which we jointly established with Beijing Jiaotong University, is a scientific institution covering various specialisations of rail transit studies in China. Under the terms of these contracts, we provide research materials and funding, while the universities undertake the research projects with the related research results and intellectual property rights to be jointly owned by both parties. The total amount of research funds we paid to Beijing Jiaotong University and Wuhan University of Technology amounted to RMB814,090 and RMB259,000, respectively. At present, we are under negotiation with Chongqing University to cooperate on scientific research.

Organisation and Management of Research and Development Activities

We identify specific technical problems and key research issues and adjust the direction of technological R&D with a view to meeting market demands. We have established a special research team which is led by experienced senior experts and comprises professional technicians with specialised knowledge. We have adopted a series of research and development policies for project establishment, research, process control and evaluation of research and development projects in order to implement a unified management system of research and development activities. Our professional technicians, approximately 77.0% of whom hold a bachelor's degree or higher, participate in various types of research and development activities.

Technology Expenditures and Major Technological Achievements

We place great importance in technology innovation and development. For the three years ended 31 December 2011, 2012 and 2013, our research and development related expenditures amounted to RMB77.82 million, RMB95.23 million and RMB132.68 million, respectively. We expect to increase our investment in research and development activities in the future.

We regard technological innovation as our core competitive strength, and have developed a series of proprietary technologies for the design of urban rail transit and transit-related projects. As at the Latest Practicable Date, we had 51 patents (including 11 invention patents) in China, as well as 18 patent applications (including six invention patent applications) in China

We have a number of proprietary technologies in the areas of rail shock absorption and noise reduction, ventilation of underground space, underground structure and viaducts. A number of our advanced technologies have reached an advanced international standard.

- In respect of rail shock absorption and noise reduction: we have several technologies in steel spring floating slab shock-absorbing track bed, rail damper, vibration damping fasteners and the other shock absorption and noise reduction technologies, which are widely used in the area of rail transit and improve the efficiency, safety, energy-saving and environmental protection of rail transit. Meanwhile, we also make profits by selling related products processing blueprints.

- In respect of ventilation of underground space: we have a number of proprietary technologies in the field of underground ventilation and air-conditioning, which may have considerable potential for commercialisation. Our technologies generally operate compatibly with the ventilation systems in underground space, which has a prominent advantage in space utilisation, energy conservation and carbon emissions reduction. Our related technologies cover areas such as multi-function integrated ventilation and air-conditioning system, direct evaporative ventilating and air-conditioning system, and cold-water integrated air and ventilation system without a cooling tower etc..

- In respect of underground structure: we have a number of leading proprietary technologies relating to underground structure, which fills the blank in the field of related technologies domestically. Such technologies include the top-down bored excavation with cast-in-site arch construction method, the method for controlling deformation when under-crossing existing metro without clearance, constructing subway stations by the shield tunneling construction method combined with the shallow subsurface excavation method and the other construction methods. One of our research and development results, the "prefabricated subway station" technology, is an original domestic invention, and the application for the patent is currently in progress.

- In respect of viaducts: in China, we are the only design company with its own invention patent of U-beams technology, which is principally applicable to viaduct structures for urban rail transit requiring both a high degree of operational safety and landscape design. We are also the first company which conducts comprehensive research on U-beams technology and its ancillary system technology, such as rail transit power supply, environmental protection system, shock absorption and noise reduction system, safety protection system, etc. The U-beams we have developed are environmental friendly and economical, highly applicable to rail transit systems in China. Some parts of our U-beams technologies have achieved internationally advanced standards.

Apart from technologies for which we have submitted patent applications, we have developed sustainable technical research and development capabilities in the areas of design technology of urban rail transit projects and construction methods of underground structure. Given the complexity of the urban rail transit design projects, project owners would also focus on the research and development ability of the engineering service providers during the selection process. We believe that our ability in research and development also contributes to our core competitive strength.

The research and development projects which we recently focused on include U-beam integrated technology, key technology research and application regarding the underground structure for the prefabricated subway, three-dimensional aided design system for urban rail transit, transit system ground contractor rails embedded system and its integrated products.

QUALIFICATIONS AND LICENCES

Our Company and our subsidiaries currently hold 34 professional qualifications or licences required to provide design, survey and consultancy business and construction contracting services, including:

- 27 qualifications for the provision of design, survey and consultancy services, which include Integrated Class A Qualification in Engineering Design, Class A Qualification in Urban and Rural Planning (城鄉規劃編製甲級資質), Class A Qualification in Engineering Cost Consultancy (工程造價諮詢企業甲級資質), two qualifications for certification and accreditation (資質認定計量認證), two qualifications in engineering survey, three qualifications in survey and mapping, Class A Engineering Survey Enterprise Qualification, Class A Engineering Design Enterprise Qualification, nine qualifications in engineering consultancy, Class A Assessment Enterprise Qualification, Class B Qualification in Geological Survey, Qualification in Construction Engineering Quality Inspection Organisation (建設工程質量檢測機構資質) and three qualifications for Design Documents of Construction Drawings Review Institution (施工圖設計文件審查機構認定); and

- 7 qualifications/licences for the provision of construction contracting services, namely, Qualification for Enterprise in Construction Industry (建築業企業資質) (including Special Qualification in Urban Rail Transit Engineering Contracting, Class A Qualification in General Construction Contracting for Municipal Engineering and Class A Qualification in General Construction Contracting for Building Construction), two qualifications for contracting overseas projects, Class A Construction Enterprise Qualification, Class A Qualification in Foundation and Infrastructure Engineering Construction Contracting and two Work Safety Permits.

Xingjie Property, one of our subsidiaries, is a company engaged in the provision of property management services to members of our Group. Following the issue of the *Notification on Carrying out the Inspection of Qualifications of Property Service Enterprises* (《關於開展物業服務企業資質核查工作的通知》) by the Beijing Municipal Commission of Housing and Urban-Rural Development (北京市住房和城鄉建設委員會) on 30 December 2011, the relevant regulatory authority has suspended the further approval of the qualification (Class 3) for property management service enterprises. From its establishment on 21 November 2011 to 30 September 2013, Xingjie Property had been providing internal management support services to our Group, such as cleaning and general maintenance. According to the applicable PRC laws, the conduct of property management services without qualification may result in the confiscation of illegal proceeds derived from such business and a maximum administrative penalty of RMB200,000. As the management support services rendered by Xingjie Property within our Group did not extend externally, and given that Xingjie Property has already applied for the required qualification and having consulted with the Beijing Xicheng District Housing Administration Bureau, which is of the view that the provision of internal property management support services did not constitute provision of properties management services under the applicable laws and therefore will not take any action against Xingjie Property, our PRC legal advisers, Haiwen & Partners, are of the views that the risk of Xingjie Property being subject to any administrative action is minimal.

Our Company, Huan'an Inspection and China Metro are in the process of renewing a total of four professional qualification certificates, which are due to expire in June to August 2014. Our PRC legal advisors, Haiwen & Partners, confirmed that there is no legal impediment for each of our Company, Huan'an Inspection and China Metro to renew such qualification certificates.

Save as disclosed above, we possess all qualifications that are required for our current business operations. We plan to obtain further qualifications in the future along with the development and expansion of our business. For details of our qualifications, please refer to "Appendix VI — Statutory and General Information — Our Qualifications" to this [**REDACTED**].

AWARDS

The following table sets forth some of the important awards we have received from the relevant authorities and organisations in China for our business and services since our establishment.

- **Enterprise Award**

Award Winner	Award	Issuing Authority	Issuance Date
Company	May 1st Labour Certificate	All China Federation of Trade Unions (中華全國總工會)	April 2008

- **Project Awards**

Representative Project Awards at National Level

Award Winner	Project	Award	Level	Issuing Authority	Issuance Date
Scientific Research Projects					
Company	Key technology in controlling vibration and noise pollution caused by rail transit and its commercialisation	National Science and Technology Progress Award	Second Prize	The State Council of the People's Republic of China	23 December 2011
Company	Key technology and engineering application of shock absorption of large-scale complicated structures	National Science and Technology Progress Award	Second Prize	The State Council of the People's Republic of China	29 November 2010
Company	Technology integration and application of energy conservation, environmental protection and safety of Guangzhou Subway line No. 2	National Science and Technology Progress Award	Second Prize	The State Council of the People's Republic of China	11 February 2007
Design Projects					
Company	National Indoor Stadium	National Outstanding Engineering Survey and Design Award	Gold Prize	MOHURD	November 2009
Exploration Institute	Research and Application of Precision Engineering Exploration Technology on the National Stadium (the Bird's Nest)	National Outstanding Engineering Survey and Design Award	Gold Prize	MOHURD	November 2009
Company	Olympic Village, Area B of Olympic Park	National Outstanding Engineering Survey and Design Award	Silver Prize	MOHURD	November 2009

Representative Project Awards at Provincial Level

Unit	Project	Award	Level	Issuing Authority	Issuance Date
Scientific Research Projects					
Company	Research on Integrated Technology for U-Beam Viaduct System of Urban Rail Transit	"China Academy of Urban Planning and Design — CAUPD Cup" Huaxia Construction Science and Technology Awards of Year 2012 (2012年"中國城市規劃設計研究院CAUPD杯"華夏建設科學技術獎)	First Prize	Huaxia Construction Science and Technology Award Committee (華夏建設科學技術獎勵委員會)	December 2012
Company and other enterprises participating in the project	Research and commercialisation on Integrated Technology of Damping-spring Floating Track Bed Shock Isolation System of Rail Transit	Beijing Science and Technology Award of Year 2012	First Prize	Beijing Municipal Government	December 2012
Company, Agiletech Consulting, Exploration Institute and other enterprises participating in the project	Research and Application on Safety Risk Control and Information Management Platform of Beijing Subway Construction Project	Beijing Science and Technology Award of Year 2011	First Prize	Beijing Municipal Government	March 2012
Company and other enterprises participating in the project	Key Technology Research on Innovative Underground Excavation Construction Method for Subway Transfer Station	Beijing Science and Technology Progress Award of Year 2010	First Prize	Beijing Municipal Government	November 2011

RISK MANAGEMENT

We believe that risk management is crucial to the development and success of our business. Key operational risks that we face include changes in investment by the PRC government in the urban rail transit industry, performance quality of subcontractors, delays or defaults of clients in recovering our receivables or delays in releases of our project guarantees, availability of financing to support our developments. Please refer to "Risk Factors" in this [**REDACTED**] for a discussion of various risks and uncertainties we face.

In order to meet these challenges, we have established the following structures and measures to manage our risks:

- Our Board is responsible for determining our business operation plans and investment plans, preparing our annual financial budgets and final reports and formulating proposals for profit distributions, and is in charge of the overall risk control of our Group. Any business decisions involving material risks are reviewed, analysed and approved at the board level to ensure a thorough examination of the associated risks. Please refer to "Directors, Supervisors, Senior Management and Employees — Board" in this [**REDACTED**] for details of the experience of members of our Board.

- Our senior management team is in charge of the daily business operations and risk monitoring of our Group, and is responsible for the supervision of different aspects of our operations on a daily basis as well as the supervision and approval of any material business decisions of our projects.

- For operational and market risks, we have policies on internal controls in place. In accordance with applicable laws and regulations, we have stipulated internal procedures and guidelines with a view to establishing and maintaining our internal control systems, which cover business operations, human resources management, finance management, administration and legal compliance. Our Directors are responsible for monitoring our internal control system and for reviewing its effectiveness.

In addition, to prevent our Directors, Supervisors, senior management and employees from engaging in corruption, bribery or other improper conduct, we have implemented the following structures and measures to govern our anti-fraud related works:

- Our legal department is responsible for the daily execution of anti-fraud related works, including receiving the reporting of corruption, bribery or other improper conduct, conducting investigation and issuing opinions on such matters. Our legal department reports to our senior management team about the working plan and implementation of anti-fraud related works.

- Our senior management team is in charge of establishing and implementing anti-fraud related internal control system and making the relevant risk assessment.

- Our Board and our discipline inspection and supervision department provide guidance on and monitor the anti-fraud related works conducted by our legal department and senior management team.

- We typically sign an undertaking letter in form and substance satisfactory to the project owner or our client, undertaking that we will not engage in bribery when doing business with them. We have required the suppliers of goods or services to each member of our Group to sign an undertaking letter when entering into any business contract with us since 25 December 2013, pursuant to which the suppliers undertake not to engage in bribery when doing business with us.

QUALITY CONTROL

In 1996, we established our quality control system and became one of the first municipal design institutes in Beijing to pass the ISO 9001 quality control system accreditation. Since then, we have strictly implemented the ISO 9001 standards of quality control system in our management. More recently, each of our Company and Exploration Institute has established GB/T 19001–2008/ISO 9001:2008 Quality Control System, and obtained and maintained the relevant accreditations, respectively.

Our Technical Quality Department is responsible for formulating quality control policy and supporting our quality supervision team in quality control implementation.

In respect of our own work product, we:

- formulated quality control policies, developed quality control processes and adopted quality control standards;

- set a detailed work flow and unified specifications for the work product of our design and consultancy segment;

- perform quality monitoring through professional evaluation, engaging relevant experts to perform comprehensive review and design verification, at each evaluating, reviewing, and design verification phase for work product not yet delivered to our clients;

- have added a system approval and chief approval and other multi-faceted safety measures to our quality monitoring system for our rail transit business' general design projects;

- implemented a compliance review of quality control measures in place for the delivery of our final work product; and

- established quality supervision and management structures. Our quality supervision team is responsible for the overall quality control of projects. The key members of our quality supervision team comprise 37 professor-level senior engineers, 108 senior engineers, one senior architect and one senior economist, with an average of approximately 23 years of industry experience. In addition, 15 to 20 experts are selected from the key members of our quality supervision team with over ten years of industry experience to monitor quality and identify quality problems with inspections conducted on individual project on a quarterly basis.

To ensure the quality of our suppliers, we:

- set up selection, evaluation and re-evaluation criteria for goods and services suppliers;

- select our suppliers by conducting assessments based on their qualifications, performance and capabilities; and

- supervise production procedures and examine goods and services pursuant to requirements in the contracts.

Further, business records of our goods and services suppliers have to be verified and necessary monitoring and preventative measures have to be taken, so as to comply with national, local and industry standards as well as the requirements of our management system. Non-conforming goods and services are dealt with according to any liability provisions as stipulated in relevant contracts.

To ensure the quality of our subcontractors, we:

- verify all contractors' qualifications when subcontracting on our projects;
- supervise the progress, quality and cost controls of the subcontracting during the subcontractor's performance of its contractual obligations on a regular basis; and
- carry out regular inspection and supervision, and instruct the subcontractor on rectification and remedial action in case of any non-compliance.

During the Track Record Period, we had not received any written client complaints. We have maintained a system in place to ensure appropriate monitoring, evaluation and reporting processes to handle client complaints in relation to our service delivery. During the Track Record Period, we did not experience any material quality control issues.

HEALTH AND SAFETY

We regard occupational health and safety as our key corporate and social responsibilities. We and Exploration Institute have set up a GB/T 28001–2011/OHSAS 8001:2007 occupational health and safety management system, and obtained and maintained the relevant certifications, respectively.

Our construction contracting business involves inherent industrial risks and certain occupational hazards. These risks and hazards could result in property loss, business interruption, legal liabilities, personal injury or even death. Please refer to "Risk Factors — Risks Relating to Our Business and Our Industry — Our construction contracting business involves inherent industrial risks and occupational hazards" in this [**REDACTED**].

Pursuant to the *PRC Work Safety Law*, *the Regulations on Work Safety Accident Reporting and Investigation and the Measures of Work Safety Permits*, we have implemented various health and safety measures, such as hazard source identification measures, risk assessment and control measures and contingency preparation and response measures. We also promote health and safety through training programmes and awareness campaigns. To date, we have maintained an excellent safety record. During the Track Record Period, we and our subcontractors had no work-related fatalities, and received no claims resulting from property damage or personal injury.

We have a valid work safety permit, which will be reviewed by the relevant PRC government authorities once every three years. With regard to our overseas operations, we had been in compliance with applicable local health and safety laws as at the Latest Practicable Date. Our ability to comply with local laws is an important consideration in deciding to commence operations in any foreign jurisdiction.

ENVIRONMENTAL PROTECTION

We are subject to PRC and foreign environmental laws and regulations relating to air pollution, noise emissions, hazardous substances, sewage and waste discharge and other environmental matters. We place an emphasis on environmental protection, and strive to conduct our research and development activities on an environmentally friendly basis and use environmentally friendly technologies and products in our engineering projects.

We and Exploration Institute have established a GB/T 24001–2004/ISO 14001: 2004 environmental management system and received and maintain the relevant certificates, respectively.

Based on GB/T 24001–2004/ISO 14001:2004 *Requirements of Environment Management System and User's Guide*, we and Exploration Institute have formed a comprehensive pollution and environmental protection control system, adopting stringent measures to control the discharge of pollutants during construction projects.

Our environmental protection measures include:

- establishing and implementing environmental protection procedures and incorporating processes to address the environmental impact of our construction projects, which are reviewed and approved by our relevant oversight departments as part of the initial project planning process; and

- disposing of pollutants discharged from our operations in accordance with local standards for waste water reduction, atmospheric and solid waste management and recycling.

With regard to our overseas operations, we had been in compliance with applicable local environmental laws as at the Latest Practicable Date. Our ability to comply with local laws is an important consideration in deciding to commence operations in any foreign jurisdiction.

During the Track Record Period, we did not suffer any material environmental accidents or instances of pollution and we were not subject to any material administrative penalties due to environmental accidents or pollution. As at the Latest Practicable Date, we had not been subject to any material fines or legal action involving non-compliance with any PRC environmental law or regulation and, to the best of our knowledge, we were not aware of any warning or pending action by any environmental regulatory authority in China or overseas.

In our survey and construction contracting businesses, project owners are responsible for obtaining all relevant environmental protection permits. Further, we believe that the environmental compliance costs of our construction contracting business were immaterial. As a result, we did not segregate our environmental compliance costs during the Track Record Period.

INSURANCE

With regard to our construction contracting projects, some project owners purchase engineering all-risk insurance designating us as one of the beneficiaries. When project owners have not purchased such insurance, we purchase the necessary engineering all-risk insurance. These insurance policies generally cover the entire contract period, including any warranty period after completion of the project.

Our design and survey business is covered by professional liability insurance on a year-to-year basis with us or project owners the named insured. We maintain insurance coverage in amounts that we believe are consistent with our risk of loss and customary practice in the industry. In accordance with relevant PRC laws and regulations, we also purchase pension, medical, unemployment, work injury and maternity insurance for our employees and purchase accident insurance for overseas and on-site workers, as well as migrant workers' occupational injury insurance for on-site workers (if applicable). In addition, we also purchase additional accident insurance coverage for our employees.

Consistent with the industry practice in China, except for the demonstration line of the rail transit base of the Chengdu Xinzhu Corporation EPC engineering project, we do not purchase the third-party liability insurance for claims relating to personal injuries or property or environmental damage arising from accidents on any of our project properties or otherwise relating to our operations, nor do we purchase any business interruption insurance. We believe that such insurance is not mandatory under PRC laws and regulations and purchases of such insurance policies may incur additional costs for our business operations. Please refer to "Risk Factors — Risks Relating to Our Business and Our Industry — The insurance we purchased may not be sufficient to cover all risks or losses which might be incurred" in this [**REDACTED**].

EMPLOYEES

As at 31 December 2013, we had a total of 2,610 employees, including contract employees, who are currently employed by us under employment contracts, dispatched workers and re-employed retirees.

The following table sets forth a breakdown of our employees by function as at 31 December 2013:

Function	Number of employees	As a percentage of the total number of employees
Management personnel	542	20.77%
Professional technicians	1,834	70.27%
Design, survey and consultancy	1,600	61.30%
Construction contracting	234	8.97%
Production operators	155	5.94%
Others (logistics)	79	3.02%
Total	2,610	100%

The following table sets forth a breakdown of our employees by level of education as at 31 December 2013:

Level of education	Number of employees	As a percentage of the total number of employees
Master's degree and above	665	25.48%
Bachelor's degree	1,344	51.49%
College level or others	601	23.03%
Total	2,610	100%

As at 31 December 2013, we had a total of 1,946 employees in Beijing and a total of 664 employees in regions outside Beijing, including 161 employees in Eastern China, 113 employees in Southern China, 62 employees in Northern China, 117 employees in Central China, 61 employees in Western China, 75 employees in North-eastern China and 75 employees overseas.

In accordance with the relevant PRC governmental requirements applicable to us in the regions where we operate, we make contributions to medical, unemployment, maternity, injury insurance and pension schemes for our contract employees. The amount of our contributions is based on a percentage of each contract employee's total salary, as required by relevant governmental authorities in China. We also make contributions to the housing funds of contract employees, in accordance with applicable PRC laws and regulations. In addition to statutory contributions, we also provide additional benefits to our contract employees, including supplemental medical insurance and pension schemes for contract employees, as well as other insurance schemes that are not included in the mandatory schemes required by the PRC government. On 24 February 2014, our shareholders' meeting passed a resolution approving the introduction of the share incentive scheme(s) for senior management and key personnel within two years of the H Share Listing. As at the Latest Practicable Date, the Company had not adopted any specific share incentive scheme.

For the three years ended 31 December 2011, 2012 and 2013, our employee benefit expenses were RMB624.34 million, RMB703.26 million and RMB783.82 million, respectively.

We enter into written employment agreements with our contract employees pursuant to the *PRC Employment Contract Law*, which state relevant probation periods, punishments for any breach of relevant rules, terms for termination of employment contracts, payment of remuneration and other economic compensation, contribution to social insurance and confidentiality. Each of our Company, Exploration Institute and China Metro has entered into non-competition agreements with their respective technicians and management personnel.

We have established a labour union to protect our employees' rights and encourage them to participate in the management of our businesses. As at 31 December 2013, we had not experienced any strikes or other labour disputes that have materially and adversely affected our businesses or operations.

We offer continuing education and training programmes for our management staff and professional technicians to help them continuously enhance their knowledge and skills. We have established a balanced system for professional education through our programmes within our corporate university structure. With regard to our professional education programmes, which are divided into annual and monthly programmes, each professional field within our Company is encouraged and supported in preparing and organising its own professional education programmes. Employees may enrol in the available courses for their own profession and also select elective courses from other professions, based on their schedules and interests.

As at 31 December 2013, we had a total of 479 dispatched workers, who were management staff or professional technicians. We enter into dispatch contracts with dispatching companies, which in turn enter into employment contracts with dispatched workers. We make the required contributions to the relevant social insurance schemes and housing funds for our dispatched workers through the dispatching companies.

During the period of a valid dispatch contract, each party can provide 35 days' written notice to the other party if it plans to terminate the contract. The expiry date of a dispatch contract is extended automatically if neither party tenders its objection at least 35 days before expiration of the dispatch contract. The extended contract period shall be the same as the period of the original contract. In the event that a dispatched worker is injured or contracts a disease at the workplace, related medical fees are settled through the relevant injury insurance purchased by the dispatching company. We are required to pay any amounts beyond injury insurance coverage in accordance with the relevant requirements of the *Regulations on Work-Related Injury Insurance*.

PROPERTIES

As at 31 December 2013, we owned a total of 81 properties and leased a total of 113 properties in China and leased two properties in Vietnam.

Self-owned Properties

As at 31 December 2013, we owned a total of 81 properties with a total GFA of approximately 31,147 sq.m. These properties are located in 14 cities in China, including Beijing, Nanjing, Hangzhou, Shenzhen, Shanghai, Chongqing, Qingdao, Tianjin, Shenyang, Xi'an, Hefei, Changchun, Wuhan and Shijiazhuang.

Regarding the 81 properties mentioned above, we had:

- obtained the property ownership certificates and land use right certificates for 72 of the properties (with a total GFA of approximately 27,960 sq.m.);

- not separately obtained land use right certificates for four of the properties (with a total GFA of approximately 635 sq.m.). For three of the properties, the local property and land administration departments do not issue State-owned land use right certificates separately. For the other property, our application for the combined certificate for relevant State-owned land use right and property ownership is pending, and we expect to receive the certificate within 2014; and

- signed property purchase contracts with relevant third parties for the remaining five properties (with a total GFA of approximately 2,552 sq.m.) and paid the agreed contract price. We are in the process of obtaining these property ownership certificates.

As at the Latest Practicable Date, we had not obtained the property ownership certificates and the relevant land use right certificates for six of the properties (with a total GFA of approximately 2,793 sq.m.). As the size of the land is not specified in the property purchase contract, according to our enquiries with the relevant property developers and land administration departments, none of them are able to confirm the size of each piece of land before the relevant property and land title certificate is issued. Therefore, we are unable to disclose the size of the land of properties with title defects, as well as their size as compared to the total size of the land used by us. As at the Latest Practicable Date, the GFA of the properties with title defects accounted for 4.6% of the total GFA of the properties owned or leased by us.

Our self-owned properties are mainly used as offices or employee dormitories. Our PRC legal advisor, Haiwen & Partners, is of the opinion that (i) of the 75 properties for which the property ownership certificates have been obtained (including the three properties without separate land use right certificates), we are the legal owner of and are entitled to occupy, use, transfer, lease, mortgage and otherwise dispose of these properties, (ii) for the one property for which the combined certificate for relevant State-owned land use right and property ownership is pending, we are the legal owner of and are entitled to occupy and use the property. There is no substantial legal impediment for us to obtain the certificate. We will be entitled to transfer, mortgage and otherwise dispose of the property after obtaining the combined certificate; and (iii) for the remaining five properties, there is no substantial legal impediment for us to obtain the property ownership certificates.

Leased Properties

As at 31 December 2013, we leased a total of 113 properties in China (ranging in size from 9 sq.m. to 8,000 sq.m.) with a total GFA of approximately 29,624 sq.m. These properties were mainly used as offices or employee dormitories and are located in 27 cities in China, including Beijing, Shanghai, Shenzhen, Xi'an, Chengdu, Fuzhou, Nanning, Suzhou, Wuxi, Shijiazhuang, Wuhan, Zhengzhou, Urumqi, Ningbo, Quanzhou, Shenyang, Taiyuan, Hangzhou, Dalian, Jinan, Shaoxing, Hefei, Qingdao, Xiamen, Harbin, Lanzhou and Changzhou. These properties include:

- three properties leased from BUCG or its associates, with a total GFA of 13,356 sq.m.; and

- 110 properties leased from independent third parties, with a total GFA of 16,268 sq.m.

As at the Latest Practicable Date, there were defects in the titles of certain of our leased properties which may render the lease agreements relating to the affected properties unenforceable under applicable PRC laws. The lessors of 69 of the 113 properties, with a total GFA of approximately 18,134 sq.m., have failed to provide property ownership certificates or consent from the owner of the properties to the lessor to lease the properties. If a dispute were to arise from a third party regarding the ownership or rental of these properties, and this were to cause us to be unable to continue to use any of these properties, we would be exposed to a potential relocation risk. Please refer to "Risk Factors — Risks Relating to Our Business and Our Industry — Some of our leased properties have defective titles and we may be required to cease using such leased properties if there is a valid claim for them" in this [**REDACTED**]. If we are required to cease occupying and using the relevant properties, we believe that we will be able to find suitable replacements without material delay in the relevant areas where alternatives are generally available or without incurring significant relocation cost on our part that would affect our business or financial position. In addition, we are entitled to compensation from the lessors for our losses and damages as a result of relocation pursuant to the applicable PRC laws. The GFA of the properties leased by us, for which the lessors had failed to provide property ownership certificates or consent from the owner of the properties to the lessor to lease the properties, accounted for 29.8% of the total GFA of the properties owned or leased by us.

Except for four properties with a total GFA of approximately 691 sq.m., no property lease agreements had been filed with relevant PRC housing administration authorities according to applicable PRC regulations. As such, we might be subject to administrative fines for failing to complete the filings. Please refer to "Risk Factors — Risks Relating to Our Business and Our Industry — Some of our lease agreements have not been filed with the relevant PRC authorities and we might be subject to administrative fines". Our PRC legal advisor, Haiwen & Partners, is of the opinion that this failure to file our property leases has no effect on the validity of the relevant leases, and that we have the right to continued use and enjoyment of those properties, as agreed under the relevant lease agreements.

We consider that the defects in the titles of our leased properties and the failure to complete the administrative filings are primarily attributable to reasons beyond our control because the lessors of those properties are responsible for securing the necessary ownership certificates and providing documents and information necessary for the administrative filings. As at the Latest Practicable Date, our Directors were not aware of any factors which would cause material difference in our rental payments if the leased properties did not have any defective titles or the relevant administrative filing were completed; in addition, our Directors confirmed that they are not aware of any potential risk to the safety of the leased properties with defective titles.

Taking all of the aforesaid factors into consideration, as advised by our PRC legal advisor, Haiwen & Partners, our Directors believe the defects in the titles of our leased properties and the failure to complete the administrative filings will not have a material adverse impact on our business, financial position or results of operations, based on the following grounds: (i) as to the potential legal penalties, if the parties to the relevant lease agreements fail to file the lease within the stated period of time required by the governmental authorities pursuant to the relevant PRC rules and regulations, the parties may be imposed a fine ranging from RMB1,000 to RMB10,000; (2) in respect of the loss of revenue, none of the members of our Group is a manufacturing enterprise, and all of the above-mentioned properties are used for offices, staff dormitories, canteen and parking lots purposes. If the relevant properties cannot be used due to their ownership defects, it will not interrupt our business operation; (3) in respect of relocation costs, if we cannot proceed to use the relevant properties due to their ownership defects, we are able to find appropriate alternative properties in the same area within a reasonable period at normal market price. During the Track Record Period, we had not encountered any material obstacles or challenges to our leasing and using those properties, and we had not been subject to any administrative, civil or criminal liabilities for the defective titles of the properties or failure to complete the administrative filings.

As at 31 December 2013, we had two leased properties in Vietnam with a GFA of approximately 265 sq.m., with a total rental costs of US$21,600 per year, which were mainly used as office or employee dormitories.

Our Directors have confirmed that the carrying value of the Group's interest in any single property does not exceed 15% of the Group's total assets and the Group does not have any interests in any single property that has material impact on the revenue or rental expenses of the Group.

On the basis of the above, we are not required by Chapter 5 of the Hong Kong Listing Rules to value or include in this [**REDACTED**] any valuation report on our property interests. Accordingly, pursuant to section 6(2) of the Companies Ordinance (Exemption of Companies and [**REDACTED**] from Compliance with Provisions) Notice, this [**REDACTED**] is exempt from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, which requires a valuation report with respect to all our Group's interests in land or buildings.

INTELLECTUAL PROPERTY

Our proprietary technologies and patents focusing on the urban rail transit industry, in particular, those in respect of rail shock absorption, noise reduction and underground ventilation, are key to our success and competitiveness and we have contributed substantial resources to enhance our technologies and patents in China. As at the Latest Practicable Date, we were not aware of any material violations or infringement of our patents, trademarks and intellectual property rights. Please refer to "Appendix VI — Statutory and General Information — Further Information about Our Business — Intellectual property rights" to this [**REDACTED**].

Patents

Our proprietary technologies focus on the rail transit industry. As at the Latest Practicable Date, we had 51 patents (including 11 invention patents and 40 utility patents) and 18 pending patent applications (including six invention patent applications) in China. We filed 31 new patent applications during the Track Record Period, of which 14 patents have been granted.

Copyrights

As at the Latest Practicable Date, we had the copyright to 14 computer software programmes in China.

Trademarks

As at the Latest Practicable Date, we had two registered trademarks and 15 trademark applications in China.

Protection of Intellectual Property

We have adopted a series of precautions and remedial measures for the protection of our intellectual property and the avoidance of any intellectual property infringement, including:

- applying our technologies to our own saleable products and services, instead of transferring those technologies directly to third parties;

- taking selective legal action against intellectual property infringement; and

- maintaining the innovative ability of our dedicated research and development teams, to replace existing technologies with new and advanced technologies to maintain our technological edge over competitors.

Intellectual property protection is of utmost importance to us. We rely on a combination of patents, copyrights, construction methods and contractual rights to protect our intellectual property. Our employees are required to sign employment contracts containing provisions which prohibit the disclosure of any of our proprietary technologies and business secrets. Furthermore, we generally seek patent protection on any new inventions, product improvements or technologies we develop. We seek to preserve our patent and other intellectual property rights against third-party misappropriation, though there is no assurance of the success of such act of preservation. Please refer to "Risk Factors — Risks Relating to Our Business and Our Industry — We may not be able to sufficiently protect our intellectual properties" in this [**REDACTED**]. Our Directors were not aware of any material infringement of our intellectual property rights by third parties or any material infringement by us of third-party intellectual property rights during the Track Record Period and as at the Latest Practicable Date.

Regulatory Compliance and Legal Proceedings

Our PRC legal advisor, Haiwen & Partners, confirmed that, except for the property management qualification to be obtained by Xingjie Property and a total of four professional certificates of our Company, Huan'an Inspection and China Metro which are in the process of renewal, as at the Latest Practicable Date, we had complied in all material respects with applicable PRC laws and regulations and had obtained and/or renewed all necessary licenses, approvals and permits that are material for our business operations in China.

Our Directors also confirmed that, except for Xingjie Property's property management qualification, which is yet to be obtained, and a total of four professional certificates of our Company, Huan'an Inspection and China Metro, which are in the process of renewal, as at the Latest Practicable Date, we had obtained and/or renewed all necessary licences, approvals and permits that are material for our business operations in all the various countries where we operate.

During the Track Record Period and up to the Latest Practicable Date, we had not been involved in any material legal proceedings. To the best knowledge of our Directors, no member of our Group is engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against any member of our Group that would have a material adverse effect on the results of the operations or financial condition of our Group.

HISTORICAL IRAN–RELATED BUSINESS

The U.S. and certain other jurisdictions, including the European Union, the United Nations and Australia, maintain broad economic sanctions targeting Sanctioned Countries.

We historically had certain Iran Design Subcontracts and Iran Agreements-to-Bid. For the three years ended 31 December 2011, 2012 and 2013, the total revenue we received from the Iran Design Subcontracts amounted to approximately RMB3.09 million, RMB1.94 million and RMB0.50 million, respectively, accounting for approximately 0.09%, 0.07% and 0.02% of our total revenue during these periods, respectively. We did not generate any revenue from the Iran Agreements-to-Bid during the same periods, but received RMB628,830 pursuant to one of the Iran Agreements-to-Bid as preliminary bid preparation expense reimbursements. Under each of the Iran Design Subcontracts and with respect to the

RMB628,830 received under one Iran Agreement-to-Bid, we never received any direct payments from any principals or entities in Iran and all such payments were received by us from the PRC general contractors. All payments were received in RMB through Chinese banks operating in China.

We have not been engaged in business dealings with any other Sanctioned Country other than the Iran Design Subcontracts and Iran Agreements-to-Bid described herein.

Iran Design Subcontracts

We entered into 13 Iran Design Subcontracts in relation to survey, design and consultancy services provided in relation to Iran during the period from 1996 to 2009. Of the 13 Iran Design Subcontracts, 11 were in relation to the construction of Tehran Subway Lines 1 and 2 and the North Extension Line of Tehran Subway Line 1 (the "**Subway Design Subcontracts**"). The other two contracts were for provision of design services in relation to the Chinese embassy buildings in Tehran (the "**Embassy Design Subcontracts**"). Our services and obligations under the Iran Design Subcontracts were as follows:

- The first Subway Design Subcontract was entered into on 5 April 1996 and the operation of the subway for which we provided services pursuant to the last Subway Design Subcontract commenced in June 2012. Tehran Subway Lines 1 and 2 have been in operation since 2006, and the North Extension Line of Subway Line 1 has been in operation since 2012. In each of the Subway Design Subcontracts, we were appointed as one of the subcontractors by the main PRC general contractors for these projects and not by the Iranian principals. The PRC general contractors for each of the Subway Design Subcontracts were CITIC Group related entities, organised and headquartered in the PRC. The Subway Design Subcontracts required us to provide survey, design and consultancy services and, occasionally, to procure engineering equipment (such as gantry cranes, rail support frames or rail sleeper moulds used in the subway construction). Equipment procurement for the subway construction was incidental to our role as a design subcontractor.

- We also entered into the two Embassy Design Subcontracts in August 2006 and January 2009. We were engaged directly by the principal, the Chinese Ministry of Foreign Affairs, to perform services for the design of the Chinese embassy buildings in Tehran. All construction activities under the Embassy Design Subcontracts were completed and the Chinese embassy buildings have been in use since 2012.

As at the Latest Practicable Date, all of our obligations under the Iran Design Subcontracts had been fully performed, other than one agreement which was terminated as early as in 2000, with no outstanding obligations, duties or liabilities. Our only residual rights under the Iran Design Subcontracts are to receive return payment of the warranty retention funds (the "**Retention Monies**"), which have been retained by the PRC general contractors. The Company has waived the right to receive the outstanding Retention Monies.

As at the Latest Practicable Date, any and all revenues from the Iran Design Subcontracts have been recognised in our historical financial statements. No further amounts are due or payable to us under the Iran Design Subcontracts.

To our best knowledge, none of the general contractors in the Iran Design Subcontracts is affiliated with any Iranian entities. In relation to the above contracts, we have not been notified that any sanctions will be imposed on us.

Iran Agreements-to-Bid

As part of our ordinary business, we enter into consortium bidding arrangements with general contractors and other subcontractors for the purpose of winning project bids. During the period of 2003 to 2011, we entered into 10 Iran Agreements-to-Bid where the ultimate procuring entity was connected with Iran or where services were expected to be performed in or in relation to Iran. Our services and obligations under the Iran Agreements-to-Bid were as follows:

- We entered into the Iran Agreements-to-Bid with several general contractors or subcontractors to bid for the construction work, including survey, design and consultancy, for certain subway or mass transit rail projects in Iran. Counterparties to the Iran Agreements-to-Bid were PRC enterprises, except for two such agreements, where the other parties were Iranian engineering consulting firms. Neither of these two Iranian entities are or were individuals and entities that the Office of Foreign Assets Control has identified on the List of Specially Designated Nationals and Blocked Persons (the "**SDN List**").

- Seven of the 10 Iran Agreements-to-Bid never resulted in successful bids. In one of the three remaining Iran Agreements-to-Bid, the parties reached a definitive agreement. However, the obligations thereunder were subsequently discharged and such agreements were terminated pursuant to mutual agreement in September 2012. For the remaining two agreements, the consortium won the bids, but due to failure to satisfy certain conditions precedent, the consortium including us did not enter into definitive agreements and no subsequent services were performed.

- Under the terms of these Iran Agreements-to-Bid, we were entitled to recover preliminary bid preparation expenses only if the bid was successful and the project implemented. Nonetheless, in 2011 and under an Iran Agreement-to-Bid in relation to Mashhad Subway Line 2 with AVIC International Holding Corporation, a PRC enterprise, we received preliminary bid preparation expense reimbursements in the aggregate amount of RMB628,830 (despite the related formal contract was not signed and the project was not implemented) according to the terms in such Iran Agreement-to-Bid. Other than such reimbursements, we did not generate any revenue from any of these Iran Agreements-to-Bid and we do not expect to receive any further reimbursements under any of these Iran Agreements-to-Bid.

As at the Latest Practicable Date, no party has any outstanding obligations, duties or liabilities under any of the Iran Agreements-to-Bid. To our best knowledge, save as disclosed above, none of the counterparties in the Iran Agreements-to-Bid are affiliated with any Iranian entities. In relation to the above contracts, we have not been notified that any sanctions will be imposed on us.

BUSINESS — SANCTIONS RISK

United States

In relation to US Sanctions regarding Iran, (i) the Company is not a U.S. person or owned or controlled by a U.S. person (as such term "U.S. person" is used for purposes of US Sanctions); (ii) no U.S. persons were involved, directly or indirectly, with the Iran Design Subcontracts or Iran Agreements-to-Bid; (iii) no U.S.-origin goods, technologies or services were provided to the Iran Design Subcontracts or Iran Agreements-to-Bid; (iv) no transactions were conducted in or through the United States in connection with such projects; (v) the Company is not engaged in transactions in the petroleum or other sectors that are covered by the extraterritorial reach of US Sanctions against non-U.S. persons; and (vi) the Company is covenanting not to use any of the proceeds from the [**REDACTED**], as well as any other funds raised through the Hong Kong Stock Exchange, to finance or facilitate, directly or indirectly, any projects or businesses in the Sanctioned Countries or in connection with sanctions-related activities, or pay any damages for terminating the Iran Design Subcontracts or Iran Agreements-to-Bid in the Sanctioned Countries. Accordingly, based on the above facts and our legal advisors' view, our Directors believe that the Company's activities in respect of the Iran Design Subcontracts or Iran Agreements-to-Bid should not be deemed to constitute violations of US Sanctions; and that the HKSCC and HKSCC Nominees and investors in our H Shares are unlikely to be exposed to risks under US Sanctions in connection with their involvement in the [**REDACTED**].

European Union

In relation to EU sanctions regarding Iran (the "**EU Sanctions Regime**"), our Directors believe that, after consulting with our external legal advisors:

(i) we are not an EU person, nor are we owned or controlled by an EU person;

(ii) no EU persons were involved, directly or indirectly, with the Iran Design Subcontracts and Iran Agreements-to-Bid;

(iii) no EU-origin goods, technologies or services were provided under the Iran Design Subcontracts and Iran Agreements-to-Bid; and

(iv) no transactions were conducted in or through the EU in connection with the Iran Design Subcontracts and Iran Agreements-to-Bid.

On that basis, our Directors believe that our activities in respect of such contracts should be considered outside the jurisdiction of the EU Sanctions Regime.

On the basis that the Hong Kong Stock Exchange, the HKSCC and HKSCC Nominees are not located in or constituted or incorporated under the laws of the EU, our Directors believe, after consulting with our external legal advisors, that the Hong Kong Stock Exchange, the HKSCC and HKSCC Nominees should similarly be considered outside the jurisdiction of the EU Sanctions Regime in connection with their roles and/or involvement with this [**REDACTED**] and that neither the listing or trading of our H Shares on the Hong Kong Stock Exchange or the holding of our H Shares by HKSCC Nominees is prohibited by the EU Sanctions Regime regarding Iran.

Our Directors further believe, after consulting with our external legal advisors, that the Company's involvement in the Iran Design Subcontracts and Iran Agreements-to-Bid would not contravene the EU Sanctions Regime regarding Iran. In view of the above, and as we have covenanted not to use the proceeds of the [**REDACTED**] in connection with Iran, our Directors believe that EU investors are not prohibited by the EU Sanctions Regime regarding Iran from investing in us or holding our H Shares, whether directly or through HKSCC Nominees.

The United Nations

In relation to the UN Sanctions, our Directors believe that, after consulting with our external legal advisors: (i) we have not breached the sanctions against Iran imposed by the United Nations Security Council ("**UNSC**") through UNSC resolutions 1737 (2006), 1747 (2007), 1803 (2008), and 1929 (2010) (collectively, the "**UN Sanctions**") by entering into the Iran Design Subcontracts and Iran Agreements-to-Bid; (ii) the counterparties in the Iran Design Subcontracts and Iran Agreements-to-Bid are not relevant persons or entities named or designated under the United Nations Sanctions (Iran)

Regulation. Accordingly, our Directors believe that, after consulting with our external legal adviser, the Company's activities in respect of the Iran Design Subcontracts or Iran Agreements-to-Bid should not be deemed to constitute violations of UN Sanctions; and that the Hong Kong Stock Exchange, HKSCC and HKSCC Nominees and investors in our H Shares are unlikely to be exposed to risks under UN Sanctions in connection with their involvement in the [**REDACTED**].

Australia

In relation to the Australian sanctions regarding Iran, our Directors believe that, after consulting with our external legal advisors, as: (i) we are not a company incorporated under Australian law and have no operations or activities in Australia; (ii) no Australian persons were involved, directly or indirectly, with the Iran Design Subcontracts and Iran Agreements-to-Bid; (iii) no Australian-origin goods, technologies or services were provided under the Iran Design Subcontracts and Iran Agreements-to-Bid; and (iv) no transactions were conducted in or through Australia in connection with the Projects, our activities in respect of the Iran Design Subcontracts and Iran Agreements-to-Bid should not be deemed to constitute violations of Australian Sanctions.

Furthermore, since: (i) the Iran Design Subcontracts have been fully and validly completed or terminated, as the case may be, in accordance with the applicable laws or in the case of the Iran Agreements-to-Bid, have never resulted in any successful bids or, as the case may be, any successful projects; (ii) we will not use proceeds of the [**REDACTED**] towards any potential future business with the targets of sanctions; (iii) the revenue derived from the Iran Design Subcontracts and Iran Agreements-to-Bid represents a very minor part of the our total revenue over the relevant years and period; and (iv) that we will not engage in any future business with any entities designated or specified by the Australian government as targets of sanctions, our Directors believe that the Hong Kong Stock Exchange, the HKSCC, HKSCC Nominees and our investors are unlikely to be exposed to any risks under Australian sanctions law as a result of the Company's listing with the Hong Kong Stock Exchange.

OUR UNDERTAKINGS AND INTERNAL CONTROL MEASURES

We undertake to the Hong Kong Stock Exchange that:

- we will not use any of the proceeds raised from the [**REDACTED**] (the "**Proceeds**") or any other funds raised through the Hong Kong Stock Exchange (the "**Raised Funds**"), directly or indirectly, to finance or facilitate any projects or businesses in the Sanctioned Countries, or in connection with sanctions related activities or to pay any damages in the case our Company is legally required to compensate the counterparty for termination of the Iran Design Sub-Contracts or Iran Agreements-to-Bid, if any. To ensure that this undertaking would be duly observed, we would deposit the Proceeds and Raised Funds (if any) in a separate bank account designated for the sole purpose of deposit and deployment of the Proceeds as stated in the "Future Plans and Use of Proceeds" section of our [**REDACTED**] or as disclosed by us when we raise other funds through the Hong Kong Stock Exchange; and

- we will disclose, on the website of the Hong Kong Stock Exchange and our website, if we believe that the transactions that we entered into in the Sanctioned Countries, if any, would put ourselves or our investors or shareholders to risks of being sanctioned, or if there were any violation or potential violation of sanctions law, and in the annual reports and interim reports our efforts on monitoring our business exposure to sanctions risk, the status of our future business in the Sanctioned Countries, if any, and where applicable, our business intention relating to the Sanctioned Countries.

In addition, we have no present intention to undertake any future business that would cause us, the Hong Kong Stock Exchange, HKSCC, HKSCC Nominees or our Shareholders to violate or become a target of sanctions laws of the U.S., the European Union, the United Nations or Australia. We are aware that if we breach any of the above undertakings given to the Hong Kong Stock Exchange, our H Shares may be delisted from the Hong Kong Stock Exchange.

We will continually monitor and evaluate our business and take measures to protect the interests of our Group and our Shareholders. In particular, we have established the Overseas Risk Control Committee (the "**Committee**") to, among other things,

- monitor and control our risk of being affected by sanctions law in relation to jurisdictions where we carry out business;
- formulate control procedures to ensure that the Proceeds and Raised Funds (if any) will not be used to finance or facilitate any projects or businesses in the Sanctioned Countries. The procedures will include, among others, depositing the Proceeds and Raised Funds (if any) into separate bank accounts and keep such funds separated from other funds of the Company, and ensuring separate bookkeeping;
- assist the Company to make disclosures in accordance with our undertakings to the Hong Kong Stock Exchange, if the Committee believe that a transaction or business that involves the Sanctioned Countries will subject us, our investors or Shareholders to the risk of being sanctioned;
- make recommendations to the Board on matters concerning our corporate activities that would or may subject the Company to the risk of sanctions; and
- engage an international law firm with expertise in sanction laws and when necessary, engage such international law firm to, among other things, review sanctions related issues encountered by the Company and provide training programmes on sanctions law to the Directors, senior management members and other relevant personnel.

The Committee comprises the following members:

- Wang Liping, our Chairman and non-executive Director, being the chairman of the Committee;
- Wang Hanjun, our executive Director; and
- Li Guoqing, our executive Director.

According to the Terms of Reference of the Committee, in handling any potential opportunity/development which may expose the Company, its shareholders as a whole, the Hong Kong Stock Exchange and its related group companies to any sanction risk, the following procedures would apply:

- Employees who are designated as information reporters by the Company, its relevant departments, institutes, branches and subsidiaries which are involved in the Group's overseas business shall be responsible for collecting and reporting information that concerns the Group's overseas business operations and development in respect of existing projects ("**Overseas Opportunity/Development**").
- Where there is an Overseas Opportunity/Development, the relevant employee(s) shall report the opportunity/development to the person in charge of his entity or department, who shall in turn promptly report the opportunity to the relevant designated information reporter.

- The relevant designated information reporter shall, at the earliest possible time, report the Overseas Opportunity/Development to the Secretariat of the Board.

- The Secretariat of the Board shall determine (i) in respect of new overseas business opportunity, whether such opportunity involves any sanctioned countries or regions or (ii) in respect of new development of existing overseas projects, whether such development involves any risks of sanctions. If so, the Secretariat of the Board shall promptly submit the relevant information and materials relating to the Overseas Opportunity/Development to the Committee and seek the Committee's determination on whether the Overseas Opportunity/Development is subject or exposed to any sanction risks.

- In addition, the designated information reporter of the relevant department or subsidiaries with existing business in a sanctioned country or region shall report to the Secretariat of the Board on a monthly basis the latest development of such business in such countries or regions. If the report indicates any changes or development which may involve any sanction risks, the Secretariat of the Board shall promptly submit the relevant information to the Committee for determination.

- The Committee may at its discretion engage an international law firm to analyse the risks and issues with respect to the Overseas Opportunity/Development and provide legal advice to assist the Committee in assessing the Overseas Opportunity/Development and any sanction risks.

- In addition, when the Committee assesses the Overseas Opportunity/Development and determines the sanction risks associated with such an opportunity/ development, factors that the Committee should consider include but are not limited to:

  (1) whether the counterparty falls within the scope of the countries, individuals or entities prescribed by the governments of the United States, European Union, United Nations, Australia or other countries that formulate the relevant sanction laws;

  (2) whether the proposed business activities pertaining to the Overseas Opportunity/Development fall within the scope of sanctioned industries or activities; and

  (3) the potential legal and reputational risks arising from or associated with the Company's engagement of the business activities pertaining to the Overseas Opportunity/Development.

The Joint Sponsors are of the view that the internal control measures set out above will provide a reasonably adequate and effective framework to assist the Company in identifying and monitoring any material risk relating to sanctions laws. Our Directors are also of the view that these measures will provide a reasonably adequate and effective framework to assist us in identifying and monitoring any material risk relating to sanctions laws. Our PRC legal counsel, Haiwen & Partners, opined that the Group is not in breach of any PRC laws by reason of its engagement in business with Iran.

REGULATIONS ON OUR BUSINESS IN THE PRC

We are subject to the regulation by the relevant competent governmental authorities and relevant laws and regulations in the PRC.

1. Design, Survey and Consultancy Businesses

Principal regulatory authorities

The principal governmental authorities in the PRC that regulate our design, survey and consulting business are:

- The Ministry of Housing and Urban - Rural Development (hereinafter MOHURD) and the local administrative authorities governing construction, which are responsible for (i) the supervision and administration of the qualifications for carrying out national construction, engineering exploration, design and engineering cost consulting businesses, (ii) the supervision and administration of construction, engineering exploration, design and engineering cost consulting activities, (iii) the supervision and administration of the examination of working drawings and design documents of construction projects, and (iv) the supervision and administration of urban-rural planning formulation;

- The Ministry of Transport and the local administrative authorities for transportation, the Ministry of Water Resources and the local administrative authorities for water resources, which are responsible for (i) assisting the MOHURD and the local construction administrative authorities to implement the qualification management in the construction survey and design in the relevant industries, and (ii) the supervision and administration of construction survey and design activities, and the quality of the construction and engineering exploration in the relevant industries;

- The National Administration of Surveying, Mapping and Geoinformation (hereinafter NASMG) and the local administrative authorities for surveying and mapping, which are responsible for (i) the organisation and administration of the national surveying and mapping projects, (ii) the administration of the qualifications and requirements for mapping and surveying, and (iii) the supervision and administration of the quality of surveying and mapping outcomes and the surveying and mapping activities;

- Ministry of Land and Resources and the local administrative authorities for land and resources, which are responsible for the approval, supervision and administration of the qualifications for (i) the units working on geological survey, (ii) the units working on the assessment of potential geological disasters, and (iii) the units working on the engineering exploration, design and construction works for controlling geological disasters;

- The NDRC, which is responsible for the qualification accreditation and supervision of engineering consulting entities, as well as the guidance of the development of the engineering consulting industry; and

- The Ministry of Environmental Protection and the local administrative authorities governing environmental protection, which are responsible for the administration of environmental protection issues of construction engineering projects, including (i) the review and approval of environmental impact assessment documents for construction engineering projects, (ii) the assessment of the qualifications of enterprises that conduct environmental impact assessment for construction engineering projects and (iii) the inspection and acceptance of environmental protection facilities of construction engineering projects.

Principal laws and regulations

Regulations on the Administration of Surveying and Designing of Construction Projects (《建設工程勘察設計管理條例》) and Provisions on the Administration of Qualifications for Exploration and Design of Construction Projects (《建設工程勘察設計資質管理規定》)

Pursuant to the Regulations on the Administration of Surveying and Designing of Construction Projects and Provisions on the Administration of Qualifications for Exploration and Design of Construction Projects, the State has implemented a system of qualification administration for enterprises engaged in construction engineering survey and design. Enterprises engaged in construction engineering survey and design shall apply for certifications based on, among other things, their registered capital, professional and technical personnel, technical equipment and achievements in exploration and design. They must pass assessments and obtain qualification certificates for carrying out construction exploration and construction design, before they can undertake construction exploration and construction design activities within the scope set out in their qualification certificates.

Construction design certifications are classified into four types and four grades. The four types are:

- comprehensive construction design certifications,
- industry-specific construction design certifications,
- specialty construction design certifications, and
- specific construction design certifications.

The four grades are Grades A, B, C and D. Grade A is the only category for comprehensive construction design certification. Industry-specific construction design certifications, specialty construction design certifications and specific construction design certifications are generally categorised into Grade A and Grade B. Based on the nature and technical characteristics of the relevant construction engineering projects, there may be an additional Grade C category for certain industry-specific, specialty and specific construction design certifications and a Grade D category for specific construction engineering certifications.

The service scope that enterprises are allowed to provide differs, depending on the specific type and grade of their certifications:

- An enterprise with Grade A comprehensive construction design certifications may provide construction design services for construction projects in any industry and of any grade.

- An enterprise with industry-specific construction design certifications may provide construction design services of a corresponding qualifications grade and related specialty and specific construction design services (other than those requiring integrated design and construction certifications) in the relevant industry and of the same grade.

- An enterprise with specialty construction design certifications may provide construction design services within the relevant specialty of a corresponding qualifications grade and related specific construction design business (other than those requiring integrated design and construction certifications) of the same grade.

- An enterprise with specific construction design certifications may provide specific construction design services of a corresponding qualifications grade.

Engineering exploration qualifications are classified into three categories, *i.e.*, comprehensive qualifications, specialty engineering exploration qualifications and engineering exploration labour qualifications. There is only one class, Class A, for comprehensive qualifications. Specialty engineering exploration qualifications are classified into two classes, Class A and Class B: Based on the nature and technical characteristics of the relevant construction projects, there is an additional Class C for certain specialised projects. There is no classification for engineering exploration labour qualifications. Any enterprise that has obtained the comprehensive qualifications may undertake all types (other than exploration related to marine construction projects) and classes of construction engineering exploration business. Any enterprise that has obtained speciality engineering exploration qualifications may undertake engineering exploration business commensurate with the class and specialty of such qualifications. Any enterprise that has obtained engineering exploration labour qualifications may undertake engineering exploration -related labour services such as ground construction administration, drilling projects and pit-sinking projects.

Provisional Measures For the Examination of Working Drawings and Design Documents of Construction Projects (《建築工程項目施工圖設計文件審查試行辦法》) (the "Provisional Measures")

In accordance with the Provisional Measures, the examination of working drawings and design documents shall be organised and carried out by the administrative authorities responsible for construction at the county level or higher under the People's Government, and the administrative authorities can cooperate with the entrusted design quality supervisory organisations, intermediary examination organisation or other relevant units. If required, the administrative authorities responsible for construction may entrust a Grade A construction design entity, which meets the examination criteria, to work on the examination. However, the design entity so entrusted shall not examine the exploration and design documents for the construction projects undertaken by it. Working drawings and design documents relating to the construction projects for the building of new structures (including modification and expansion) of Grade Four or above fall within the scope of examination. Exploration and design examination organisation shall perform the examination duties delegated by the administrative authorities responsible for construction in good faith and shall be responsible for any advice provided on the examination.

Surveying and Mapping Law of the PRC (《中華人民共和國測繪法》) (the "Surveying and Mapping Law"), and the Circular of the State Bureau of Surveying and Mapping on Issuing the Regulations of the Survey Qualification Administration and the Standards for the Survey and Mapping Qualification Classification (《國家測繪局關於印發測繪資質管理規定和測繪資質分級標準的通知》) (the "Regulations of the Survey Qualification Administration and the Standards for the Survey and Mapping Qualification Classification")

Pursuant to the Surveying and Mapping Law and the Regulations of the Survey and Mapping Qualification Administration and the Standards for the Survey and Mapping Qualification Classification, the State has implemented a system of survey and mapping qualification administration for enterprises engaged in survey and mapping activities. Such enterprises shall obtain a survey qualification certificate in accordance with the laws and regulations and conduct the survey and mapping activities within the scope of the certificate. Survey and mapping qualification are classified into four classes: A, B, C and D. The scope of specialty of survey and mapping qualification includes: geodesic survey, aerial photogrammetry, photogrammetry and remote sensing, engineering survey, cadastral surveying and mapping, estate surveying and mapping, administrative boundary surveying and mapping, geographical information system engineering, hydrographic surveying and mapping, chorography, navigation electronic map plotting, internet mapping services. The business scope of Class C only covers engineering survey, photogrammetry and remote sensing, cadastral surveying and mapping, estate surveying and mapping, geographical information system engineering and hydrographic surveying and mapping, and enterprises of this class may not undertake more than four businesses within the said scope. For Class D, enterprises of this class shall not undertake more than three businesses within the scope covering engineering survey, cadastral surveying and mapping, estate surveying and mapping and hydrographic surveying and mapping.

Law of Urban and Rural Planning of the PRC (《中華人民共和國城鄉規劃法》) (the "Urban and Rural Planning Law"), The Administrative Rules for the Qualification of Urban-Rural Planning Formulation Entities (《城鄉規劃編製單位資質管理規定》) (the "Administrative Rules")

Pursuant to the "Urban and Rural Planning Law" and the Administrative Rules, entities engaging in urban and rural planning formulation shall obtain the certification of the corresponding class and shall carry out urban and rural planning works with in the scope of the certification. Urban and rural planning certifications can be classified into Class A, B and C. For entities granted Class A certification, there is no restriction to the scope of projects it can undertake. Entities with Class B certification can undertake nationally the following projects:

- the master urban planning formulation for a town and a city having a population of less than 200,000;
- relevant special planning project for a town and a city where it is incorporated or a city having a population of less than 1 million;
- detailed planning project;

- rural area and village planning project; and
- the feasibility study in respect of the planning site selected for the construction engineering. Entities with Class C certification can undertake nationally the following projects:
  - master town planning (other than those towns where the county people's government is located);
  - relevant special planning project for a town, the city where it is incorporated or a city having a population of less than 200,000 with specific planning formulation and detailed controlling planning formulation;
  - detailed planning formulation for restoration;
  - rural area and village planning project; and
  - the feasibility study in respect of the planning site selected for small to medium sized construction engineering.

Measures for the Qualification Accreditation of Engineering Consulting Entities (《工程諮詢單位資格認定辦法》)

Pursuant to the Measures for the Qualification Accreditation of Engineering Consulting Entities, enterprises engaged in engineering consultancy shall obtain engineering consulting qualification certificates issued by the NDRC in accordance with the laws and regulations and conduct the relevant engineering consultancy business in accordance with the certificate. An engineering consulting qualification certificate consists of three parts, namely, qualification grading, professional consultation and scope of services. The qualification grades of engineering consulting entities are classified into Class A, Class B and Class C, according to the basic conditions such as operating term of the relevant company having been engaged in the engineering consultancy business and its registered capital, technical strength, technical level, possession of technical equipment and managerial competence. The engineering consulting entities at each grade shall carry out their respective businesses in accordance with relevant provisions of the State and the requirements of projects owners. The professional qualification shall be classified into 31 fields, including but not limited to, road, railway, urban rail transport, civil aviation, hydropower, etc.

Provisions for the Administration of Engineering Cost Consulting Enterprises (《工程造價諮詢企業管理辦法》)

Pursuant to the Provisions for the Administration of Engineering Cost Consulting Enterprises, enterprises engaged in engineering cost consulting shall obtain engineering cost consulting certifications in accordance with the laws and regulations and carry out engineering cost consultancy activities within the scope permitted by its qualification grade. Qualification grades of engineering cost consulting entities are categorised into Grade A and Grade B, based on factors including, among others, the qualifications of its technical representatives, number of its specialized professionals and registered capital and operating revenue of the entity. An engineering cost consulting enterprise with Grade A certifications may undertake engineering cost consultancy businesses for construction projects of any kind. An engineering cost consulting enterprise with Grade B certifications may undertake engineering cost consultancy businesses for construction projects of any kind with engineering costs of less than RMB50 million.

Tender and Bidding Law of the People's Republic of China (《中華人民共和國招標投標法》) (the "Tender and Bidding Law"), the Regulation on the Implementation of the Tender and Bidding Law of the People's Republic of China (《中華人民共和國招標投標法實施條例》) (the "Implementation Regulation"), Provisions for Exploration and Design Bidding of Construction Projects (《工程建設項目勘察設計招標投標辦法》), Provisions on the Scope and Threshold of Construction Projects for Bid Invitation (《工程建設項目招標範圍和規模標準規定》) and the Measures on Administration of Tenders for the Design of Construction Projects (《建築工程設計招標投標管理辦法》)

In compliance with the Tender and Bidding Law, the Implementation Regulation, Provisions for Exploration and Design Bidding of Construction Projects, Provisions on the Scope and Threshold of Construction Projects for Bid Invitation and the Measures on Administration of Tenders for the Design of Construction Projects, a bid must be invited for a construction engineering project if it is carried out in the PRC and meets certain criteria, including the engineering exploration, design, construction and supervision of the project, as well as procurement of important equipment and materials relating to construction works. A bid must be invited for a construction engineering project if it conforms with the scope and threshold requirements set out in the Provisions on the Scope and Threshold of Construction Projects for Bid Invitation (《工程建設項目招標範圍和規模標準規定》). No company or individual is permitted to evade the bidding process by splitting a project for which a bid must be invited according to law or by any other means. Invitations for exploration and design bidding for construction projects are categorised as public tender and tender by invitation. A bid inviter may, in light of the various characteristics of a construction engineering project, conduct an overall bidding process for exploration and design; or conduct separate processes in stages as required without prejudicing the integrity and continuity of the project. A bid can only be invited with the approval of the competent authority for the exploration, design of construction projects requiring patented or special technologies or having special requirements on the artistic design of the construction.

Measures for the Administration of Qualification of Exploration Entities, Design Entities and Construction Undertaking Entities of Geologic Disaster Control Projects (《地質災害治理工程勘查設計施工單位資質管理辦法》), Regulations on the Administration of Geological Exploration Qualifications (《地質勘查資質管理條例》) and Measures for the Administration of Eligibilities of Evaluation Entities of Geologic Disaster Danger (《地質災害危險性評估單位資質管理辦法》) (the "Eligibilities Administration Measures")

Pursuant to the Measures for the Administration of Qualification of Survey Entities, Design Entities and Construction Undertaking Entities of Geologic Disaster Control Projects, the qualification of the exploration, design and construction undertaking entities can be classified as three Grades: A, B and C. The exploration, design and construction entities of Grade A can undertake exploration, design and construction projects in respect of geologic disasters of large, middle and small size. Entities of Grade B can undertake exploration, design and construction projects in respect of geologic disasters of middle and small size, while entities of Grade C can only undertake exploration, design and construction projects in respect of geologic disasters of small size. Entities engaging in the exploration, design and construction activities in respect of geologic disasters shall obtain relevant qualification certificate and shall only undertake geologic disaster control project within the scope as permitted under the certificate.

Pursuant to the Regulations on the Administration of Geological Exploration Qualifications, the qualification of geological exploration is classified into qualifications for comprehensive and specialised geological exploration. The qualification for comprehensive geological exploration covers geological exploration qualification in respect of regions, hydrography, oil, natural gas and mineral resources, liquid mineral resources (excluding oil), gas mineral resources (excluding natural gas), solid mineral resources (*e.g.* coal) as well as hydrogeology, engineering geology and environmental geology. Specialised qualification for geological exploration includes geological exploration qualification on geophysics, geochemistry, aerial geology, remote sensing geology, geologic drill-hole (pit) exploration and geological experiments and testing. The geological exploration qualification in respect of regions, hydrography, oil, natural gas and mineral resources, gas mineral resources (excluding natural gas), aerial geology, remote sensing geology and geological experiments and testing is graded A and B, while others are classified into Grades A, B, and C.

Pursuant to the Eligibilities Administration Measures, an entity shall only undertake projects in respect of evaluation of danger of geologic disasters after obtaining the relevant qualification certificate according to the above regulations. The qualification in respect of evaluation of danger of geologic disasters is classified into Grades A, B and C. Based on the importance of construction project and the complexity of the geological environment, the evaluation project in respect of danger of geologic disaster can be ranked the first, second and third grades. Entity of Grade A can undertake evaluation project in respect of danger of geologic disaster of the first, second and third grades; entity of Grade B can undertake evaluation project in respect of danger of geologic disaster of the second and third grades; while entity of Grade C can undertake evaluation project in respect of danger of geologic disaster of the third grade.

Regulations on the Administration of Construction Project Quality (《建設工程質量管理條例》) and The Measures for the Administration of Quality of Construction Engineering Surveying (《建設工程勘察質量管理辦法》)

Pursuant to the Regulations on the Administration of Construction Project Quality, a survey or design enterprise shall, in accordance with the mandatory project construction standards, complete the survey or design work, and shall be responsible for the quality thereof. All construction activities must be conducted in strict compliance with basic construction procedures, and adhere to the principle of surveying first, designing second and then constructing. When the enterprise to develop the project receives the completion report for the construction project, it shall organize all the enterprises that have undertaken design, construction, project supervision and other works for the project to conduct a completion inspection for acceptance.

Pursuant to the Measures for the Administration of Quality of Construction Engineering Surveying, a project surveying enterprise shall improve the survey quality management system and the quality liability system, and shall refuse the unreasonable demands of a customer in violation of any relevant state regulations. The project surveying enterprise is entitled to propose the on-site working conditions and reasonable project duration necessary to ensure the quality of the project surveying. The project surveying enterprise shall participate in the examination of construction trench, promptly resolve surveying-related problems in the project design and construction, participate in the analysis of construction quality accidents and propose corresponding technical resolutions for the quality accidents due to surveying reasons, and shall ensure the equipment and devices in good condition.

Regulations on the Administration of Construction Safety (《建設工程安全生產管理條例》)

Pursuant to the Regulations on the Administration of Construction Safety, exploration and design enterprises must abide by the provisions of the work safety laws and regulations, guarantee the work safety of construction projects and bear liability for the work safety of construction projects. An exploration enterprise shall conduct surveys in accordance with the laws, regulations and the mandatory standards for construction projects, and shall provide authentic and exact survey documents to satisfy the needs of the work safety of construction projects. When conducting exploration, an exploration enterprise shall strictly implement the operational procedures, and take measures to guarantee the safety of various pipelines, wires, appliances, the neighboring buildings and fixtures. A design enterprise shall make designs in accordance with the laws, regulations and mandatory standards for construction projects to prevent any work safety accident that might incur from unreasonable designs. In light of the needs of construction safety operation and protection, a design enterprise shall specify the important parts and sectors related to the work safety in the design documents and shall render some advice about preventing work safety accidents. With regard to a construction project adopting new structures, new materials, new techniques or special structures, a design enterprise shall offer advice on ensuring the safety of the builders and preventing work safety accidents.

2. Construction Contracting Business

Principal regulatory authorities

The principal governmental authorities in the PRC that regulate our EPC Contracting and construction business are:

- the NDRC and local development and reform commissions, which are responsible for the planning, review and approval of construction projects with fixed asset investments;

- the MOHURD and local administrative authorities for construction, which are responsible for the administration of the requirements and qualifications of enterprises in the construction industry, including the review and approval of market entry requirements for, and the endorsement and confirmation of qualifications of, various types of construction enterprises, the establishment of industry standards and codes, and the supervision and administration of industry quality;

- the MOFCOM and local administrative authorities for commerce, which are responsible for the supervision and administration of the qualifications and bidding processes of enterprises contracting for overseas projects and the establishment of any overseas company through outbound investments by such enterprises, as well as foreign investments in the construction industry;

- the Ministry of Transport and local administrative authorities for transport, which are responsible for the administration of the construction market of highways and waterways, and the centralised leadership and stratified administration of highway and waterway construction projects;

- the SAWS and local administrative authorities for work safety, which are responsible for the supervision and administration of the work safety of construction projects in the PRC; and

- the Ministry of Environmental Protection and local administrative authorities for environmental protection, which are responsible for the administration of environmental protection issues of construction projects, including the review and approval of environmental impact assessment documents for construction projects, the assessment of the qualifications of enterprises that conduct environmental impact assessment for construction projects and the inspection and acceptance of environmental protection facilities of construction projects.

Principal laws and regulations

Provisions on the Administration of Qualifications of Construction Enterprises (《建築業企業資質管理規定》)

Pursuant to the Provisions on the Administration of Qualifications of Construction Enterprises, qualifications of construction enterprises are categorised into three groups, namely general construction contracting, subcontracting and labour subcontracting. Each group is divided into various categories according to the nature and technical characteristics of the relevant construction projects, and each category of qualifications is further divided into various grades according to stipulated conditions.

- An enterprise which has obtained general construction contracting certifications may be the general contractor in construction projects. Such enterprises may undertake all construction itself, or subcontract any sub-projects or labour works to subcontracting enterprises or labour subcontractors with relevant qualifications in accordance with the laws and regulations.

- An enterprise which has obtained subcontracting certifications may undertake projects subcontracted by a general construction contractor and those outsourced by a construction enterprise in compliance with relevant regulations. A subcontracting enterprise may subcontract any labour works to labour service subcontractors with relevant qualifications in accordance with laws and regulations.

- An enterprise which has obtained the labour subcontracting certifications may undertake labour works subcontracted by a general construction contractor or a subcontractor.

Foreign Trade Law of the People's Republic of China (《中華人民共和國對外貿易法》) (the "Foreign Trade Law"), the Regulation on the Administration of Overseas Project Contracting (《對外承包工程管理條例》), Provisions for the Administration of the Qualifications for Contracting Overseas Construction Projects (《對外承包工程資格管理辦法》) and Provisions for the Administration of the Bidding or Negotiation of Overseas Project Contracting (《對外承包工程項目投標(議標)管理辦法》)

Pursuant to the Foreign Trade Law, the Regulation on the Administration of Overseas Project Contracting, the Provisions for the Administration of the Qualifications for Contracting Overseas Construction Projects, the Provisions for the Administration of the Bidding or Negotiation of Overseas Project Contracting and the relevant laws and regulations, enterprises that undertake overseas project contracting shall hold appropriate credentials or qualifications. A qualification permit system has been implemented for overseas project contracting business. All enterprises engaged in overseas project contracting shall apply for overseas project contracting qualifications in accordance with laws and regulations. Enterprises shall obtain the PRC Certificate of Qualification for Contracting Overseas Projects (《中華人民共和國對外承包工程資格證書》) before they can contract foreign construction projects within the permitted scope. When contracting overseas construction projects with a contract quote of not less than US$5 million by means of a bidding process or negotiation, the enterprise shall, prior to overseas bidding or negotiation, apply for approval of the bid or negotiation through the data base established by the Ministry of Commerce, and obtain the Approval Permit of Bidding or Negotiation of Overseas Project Contracting (《對外承包工程項目投標(議標)核准證》).

Tender and Bidding Law (《中華人民共和國招標投標法》), Regulation the "Implementation Regulation" on the Implementation of the Tender and Bidding Law (《中華人民共和國招標投標法實施條例》) and the Measures on Tender and Bidding for the Construction Projects (《工程建設項目施工招標投標辦法》)

In accordance with the Tender and Bidding Law, the Implementation Regulation and the Measures on Tender and Bidding for the Construction Projects, bids must be invited for the following construction projects which satisfy certain requirements and are undertaken in the PRC, including the exploration, design, construction and supervision of the projects as well as the procurement of important equipment, materials, etc. for the construction. Bidders are legal entities or other organisations which show interest and participate in the tender. Any subsidiary (entity) of the bidders with no legal person qualification, or any legal entity and any subsidiary (entity) providing design and consulting services for the preparation or supervision of tender project are not eligible to take part in any tender. Successful bidder can subcontract part of the awarded project that are not critical to others, but shall not transfer the awarded project to others, shall not transfer the awarded project in separated parts to others and shall not subcontract critical part of the awarded project to others. The subcontractor shall not further subcontract the awarded project. Any act in breach of the said regulations shall invalidate the transfer and the subcontract, and the successful bidder and the subcontractor are subject to administrative penalties including fine, confiscation of any gain from illegal act and order to suspend operation and rectify the situation, or even cancellation of the business permit by the commercial and industrial administration authority in case of serious circumstance.

A bid must be invited for a construction engineering project if it conforms with the scope and threshold requirements set out in the Provisions on the Scope and Threshold of Construction Projects for Bid Invitation (《工程建設項目招標範圍和規模標準規定》). Invitations for tender are categorised as public tender and tender by invitation. No company or individual is permitted to evade the bidding process by splitting a project or by other ways for which a bid must be invited according to law or by any other means.

Regulations on the Administration of Construction Project Quality (《建設工程質量管理條例》), Measures for the Administration of Quality of Construction Engineering Exploration (《建設工程勘察質量管理辦法》and Measures on the Administration of Quality Inspection of Construction Works (《建設工程質量檢測管理辦法》)

The Regulations on the Administration of Quality Control of Construction Projects provide that enterprises that develop a project or undertake the surveying, design, construction or supervision works of the project are responsible for the quality control of the project. All construction activities must be conducted in strict compliance with basic construction procedures, and adhere to the principle of exploration first, designing second and followed by construction. The quality warranty system shall be applied to construction projects. If any quality issues of the construction project arise within the warranty coverage and period, the construction enterprise shall perform the warranty obligations and compensate for any losses suffered. The State implements a quality supervision and administration system for construction projects. The relevant construction administrative authorities of the State Council are responsible for the overall supervision and administration of the quality of construction projects in the PRC. The competent authorities of the State Council, such as the Ministry of Railways, the Ministry of Transport and the Ministry of Water Resources, in compliance with their divisions of duties and responsibilities, shall be responsible for the supervision and administration of the quality of professional construction projects in the PRC. A surveying enterprise shall conduct the surveying in accordance with the laws and regulations regarding the quality of construction projects, the mandatory standards for project construction and the relevant surveying contract and shall be responsible for the quality of its surveying.

The Measures on the Administration of Quality Inspection of Construction Works provide that inspection agency engaging in the quality inspection of construction works shall obtain quality certification according to the law. Quality of the inspection agency can be classified as inspection agency for specialty projects and inspection agency for witness and sampling based on the nature of the business undertaken.

Work Safety Law of the People's Republic of China (《中華人民共和國安全生產法》) (the "Work Safety Law"), the Regulation on the Work Safety Permits (《安全生產許可證條例》), the Regulation on the Administration of Construction Safety (《建設工程安全生產管理條例》) and Provisions on the Administration of Construction Enterprises' Work Safety Permit (《建築施工企業安全生產許可證管理規定》)

Pursuant to the Work Safety Law, the Regulation on the Work Safety Permits, the Regulation on the Administration of Construction Safety and the Provisions on the Administration of Construction Enterprises' Work Safety Permit and other relevant laws and regulations, enterprises that engage in the construction, expansion, renovation, demolishment and other related activities of a construction project and that supervising and administering the work safety of a construction project in the PRC shall abide by the relevant requirements on work safety. Enterprises that develop the project or undertake the surveying, design, construction or supervision works of the project and other parties involved in the work safety of the construction project shall comply with the requirements of the laws and regulations on work safety to ensure the work safety of the construction project and assume responsibilities for the work safety of the construction project according to law. The State implements a work safety permit system for construction enterprises. Without a work safety permit, a construction enterprise may not engage in construction activities.

Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》) (the "Environmental Protection Law"), Prevention and Control of Atmospheric Pollution Law of the People's Republic of China (《中華人民共和國大氣污染防治法》) (the "Prevention and Control of Atmospheric Pollution Law"), Prevention and Control of Water Pollution Law of the People's Republic of China (《中華人民共和國水污染防治法》) (the "Prevention and Control of Water Pollution Law"), Law of the People's Republic of China on Prevention and Control of Environmental Pollution of Solid Waste (《中華人民共和國固體廢物污染環境防治法》 (the "Prevention and Control of Environmental Pollution of Solid Water Law), Construction Law of the People's Republic of China (《中華人民共和國建築法》) (the "Construction Law"), Environmental Impact Evaluation Law of the People's Republic of China (《中華人民共和國環境影響評價法》) (the "Environmental Impact Law") and the Regulation on the Environmental Protection of Construction Projects (《建設項目環境保護管理條例》) and the Measures on the Inspection and Acceptance of the Environmental Protection Work Upon Completion of Construction Projects (《建設項目竣工環境保護驗收管理辦法》)

Pursuant to the Environmental Protection Law, the Prevention and Control of Atmospheric Pollution Law, the Prevention and Control of Water Pollution Law, the Prevention and Control of Environmental Pollution of Solid Waste Law, the Construction Law, the Environmental Impact Evaluation Law, the Regulation on the Environmental Protection of Construction Projects, Measures on the Inspection and Acceptance of the Environmental Protection Work Upon Completion of Construction Projects and other relevant laws and regulations, a construction enterprise shall adopt measures to control environmental pollution and damage caused by dust, waste gas, sewage, solid waste, noise and vibration at the construction site in accordance with the laws and regulations on environmental protection and work safety. The State implements an environmental impact evaluation system for construction projects. The enterprise that develops the project shall prior to the commencement of construction of the construction project; submit the environmental impact report, environmental impact statement or environmental impact record of the construction project for approval. The competent administrative authorities for environmental protection shall respond and inform the enterprise in writing within 60 days from the date of receipt of the environmental impact report, 30 days from the date of receipt of the environmental impact statement and 15 days from the date of receipt of the environmental impact record, respectively. Supporting facilities for environmental protection required by a construction project shall be designed, constructed and put into operation simultaneously with the main utilities. Upon completion of the main utilities of the construction project, if a trial production is needed, the supporting facilities for environmental protection shall be put into trial operation simultaneously. During the trial production period of the construction project, the enterprise shall oversee the operation of the environmental protection facilities and monitor the environmental impact of the construction project. Upon completion of the construction project, the enterprise shall submit application to the competent administrative authorities for environmental protection for the inspection and acceptance of the environment being protected upon completion of the construction project.

3. Internet Information Service Business

Principal regulatory authorities

The principal governmental authorities in the PRC that regulate our Internet information service business are:

- Ministry of Industry and Information Technology and the administrative authorities governing telecommunication at the respective provinces, autonomous regions and municipalities, which are responsible for the supervision and administration of the qualification of internet information service and the implementation of activities; and

- Relevant competent authorities governing public information, publication, education, sanitation, pharmaceutical supervision and administration, administration of industry and commerce, national safety, etc., which are responsible for the supervision and administration of the internet information content in terms of the respective area.

Principal laws and regulations

Administrative Measures on Internet Information Services (《互聯網信息服務管理辦法》) and Provisions on the Administration of Foreign-Invested Telecom Enterprises(《外商投資電信企業管理規定》)

Administrative Measures on Internet Information Service stipulate that the State has implemented permission system for profit-making internet information services, and filing system for non-profit-making internet information services. Enterprises engaging in profit-making internet information services shall apply for the Operation Permit for value added telecom services of internet information service (互聯網信息服務增值電信業務經營許可證) (the "operation permit") to the administrative authorities governing telecommunication at the respective at respective provinces, autonomous regions and municipalities or competent authorities governing information industry under the State Council. After obtaining the operation permit, the applicant shall file the registration with the registration authorities with its operation permit. Operating internet information service providers who apply for overseas listing or joint venture, cooperation with foreign investors shall seek prior approval from authorities governing information industry under the State Council, and in which, the investment proportion of foreign investors shall comply with the relevant law and regulations.

According to the Provisions on the Administration of Foreign-Invested Telecom Enterprises, the foreign investors of the foreign-invested telecommunication enterprises engaging in value added telecommunication business (including radio paging service under basic telecommunication business) shall not contribute more than 50% of the investment.

4. Measurement and certification business

Principal regulatory authorities

The principal governmental authorities in the PRC that regulate our measurement and certification business are:

- Certification and Accreditation Administration of the State, which is responsible for the organisation, management, supervision, consolidation and coordination of qualification certification of laboratories and inspection agencies; and

- Authorities governing quality and technology supervision at respective provinces, autonomous regions and municipalities under the people's government and each immediate entry-exit inspection and quarantine associations, which are responsible for the qualification certification and inspection of laboratories and inspection agencies at their respective regions.

Principal laws and regulations

Administrative Measures on Qualification Certification for Laboratories and Inspection Agencies (《實驗室和檢查機構資質認定管理辦法》)

In compliance with the Administrative Measures on Qualification Certification for Laboratories and Inspection Agencies, qualification of laboratories and inspection agencies represents the basic conditions and capabilities that the laboratories and inspection agencies shall possess for providing figures and results as evidence of proof to the public. The forms of qualification certification include measurement and examination. Entity engaging in the following businesses shall pass qualification certification:

- provision of figures and results as evidence of proof in respect of the administrative decisions made by the administrative authorities;

- provision of figures and results as evidence of proof in respect of the judicial decisions made by the judicial authorities provision of figures and results as evidence of proof in respect of the arbitral rulings made by the arbitral authorities;

- provision of figures and results as evidence of proof in respect of social welfare activities;

- provision of figures and results as evidence of proof in respect of interested economic or trading parties;

- other businesses that need to pass through qualification certification as required by other regulations.

Laboratories and inspection agencies must be established pursuant to law and must engage in the inspection, calibration and examination business with objectivity, justice and independence, and assume legal responsibilities. Laboratories and inspection agencies shall recruit professional technicians and management personnel that are appropriate for the inspection, calibration and examination business. A permanent office shall be set up, in which all equipment necessary for accurate inspection, calibration and examination business should be included and all fixed or movable facilities for inspection, calibration and examination business should be able to allocate separately. A qualification entity with justifiable, independent and appropriate working area for the inspection, calibration and examination business shall be developed and effectively operated according to the basic regulations or documents relating to qualification standards.

REGULATORY AND SHAREHOLDER'S APPROVAL REQUIRED FOR REORGANISATION AND A PROPOSED LISTING

According to the Interim Measures for the Administration of Gratuitous Transfer of State-owned Property Rights of Enterprises of the PRC (《企業國有產權無償劃轉管理暫行辦法》), the State-owned property rights of enterprises transferred at nil consideration between contributing parties under the same state-owned assets supervisory authority shall obtain approval by the contributing parties from the same state-owned assets supervisory authority.

According to the Provisional Measures for the Administration of Assessment of the State-owned Assets of Enterprises (《企業國有資產評估管理暫行辦法》), where there is any change in shareholdings of the state-owned shareholders in the listed company, the related assets should be evaluated and the asset valuation report shall be submitted to the state-owned assets supervisory authority for approval or filing.

According to the Securities Law of the People's Republic of China (《中華人民共和國證券法》), a domestic enterprise issuing securities overseas, directly or indirectly, or having its securities listed or traded overseas, shall obtain an approval from a securities regulatory administration authority under the State Council based on the requirement of State Council.

According to The State Council's Special Requirements on the Offering and Listing of Shares Overseas by a joint stock company with limited liabilities (《國務院關於股份有限公司境外募集股份及上市的特別規定》), a joint stock company with limited liabilities offering shares to overseas investors and listing overseas shall make an application in writing with relevant materials in accordance with the requirement of the Securities Committee under the State Council and file to the Securities Committee under the State Council for approval.

According to the Regulatory Guidelines on Filing Document and Approval Procedures for Issuing Shares and Listing Overseas by a Joint Stock Company Limited (《關於股份有限公司境外發行股票和上市申報檔及審核程式的監管指引》), a company making application for issuing and listing of shares overseas shall file documents, such as an application report, relevant resolutions of the shareholders' meeting and Board of Directors and the Articles to the CSRC. CSRC would then accept and review the application documents for administrative approval submitted by such company in accordance with the Implementation Procedures and Requirements on Administrative Approval from the CSRC (《中國證券監督管理委員會行政許可實施程式規定》) before any administrative approval is made. Upon receipt of the acceptance notice from CSRC, the company shall submit the initial application on issuance and listing to an overseas securities regulatory institute or stock exchange. Upon receipt of the verification document for administrative approval from CSRC, the company shall file a formal application for issuance and listing to an overseas securities regulatory institute or a stock exchange. Such company shall file a report in writing in respect of the relevant condition on overseas issuance and listing to CSRC within 15 working days from the completion of overseas issuance and listing of the shares. The verification documents regarding the issuing and listing of shares overseas from CSRC shall be for a term of twelve months.

According to the Enterprise State-owned Assets Law of the People's Republic of China (《中華人民共和國企業國有資產法》), a state-owned assets supervisory and administration authority established based on the requirement of the State Council by a state-owned assets supervisory and administration authority under the State Council and a local people's government, shall perform the obligation of contributor for the national contributing enterprise on behalf of the people's government of such level according to the authority given from the people's government of such level. The State Council and local people's government may authorise other departments and authorities perform the obligation of contributor for the national contributing enterprise on behalf of the people's government of the same level, as necessary. The merger, segregation, increase of decrease of registered capital, listing, issuance of bonds, distribution of profits, dissolution, file for bankruptcy of a state-owned wholly-invested enterprise and a state-owned wholly invested company, such decision shall be made by the authority performing the obligation of a contributor.

According to the Provisional Regulations on the Supervision and Administration of State-owned Assets of an Enterprise (《企業國有資產監督管理暫行條例》), a state-owned assets supervisory and administration authority shall be responsible for guiding the state-owned and state-owned holding enterprise to establish a modern enterprise system, review and approve the reorganisation, share conversion proposal of the state-owned wholly invested enterprise and the state-owned wholly invested company among its contributing enterprise as well as the Articles of the state-owned wholly invested company among the contributing enterprise. A state-owned assets supervisory and administration authority shall decide those material events such as segregation, merger, bankruptcy, dissolution, increase or decrease of capital and issuance of company bonds of the state-owned wholly invested enterprise and state-owned wholly invested company among its contributing enterprises, in accordance with the legal procedures.

According to the Circular of the Ministry of Finance on the Issues of the Administration on the State-owned Equity of a Joint Stock Company (Cai Guan Zi [2000] No. 200) (《財政部關於股份有限公司國有股權管理工作有關問題的通知》) (財管字[2000]200號), issuance of foreign shares (B shares, H shares, etc.), realisation of state-owned shares for financing, and changes (or potential changes) such as transfer, assignment and pledge of state-owned shares of local shareholders and state-owned corporate shares of promoters concerning administration on the state-owned shares, are subject to the approval of Ministry of Finance.

According to Regulation Concerning the Main Functions, Interior Institutions and Staffing of the State-owned Assets Supervision and Administration Commission of the State Council (Guo Ban Fa [2003] No. 28) (《國務院辦公廳關於印發國務院國有資產監督管理委員會主要職責內設機構和人員編制規定的通知》) (國辦發[2003]28號), the State-owned Assets Supervision and Administration Commission of the State Council is established in accordance with the Institution Reform Plan of the State Council approved at the first meeting of the Tenth National People's Congress and the Notice of the State Council on the Establishment of Organizations (《國務院關於機構設置的通知》). It is a specially established entity on the ministry level directly subordinate to the State Council, and is responsible for part of the duties about management of state-owned assets under the Ministry of Finance.

According to the Provisional Measures on the Management of Reducing State-owned Shares and Raising Social Security Funds (Guo Fa [2001] No. 22) (《減持國有股籌集社會保障資金管理暫行辦法》) (國發[2001]22號), the number of state-owned shares held is reduced mainly by way of secondary offering of state-owned shares. Where a joint stock company with limited liabilities (including companies listed overseas) in which the State owns its shares undergoes initial offering of shares and issues additional shares, it shall dispose of state-owned shares at 10% of proceeds raised. For joint stock companies with limited liabilities which have been established for less than 3 years, any state-owned shares proposed to be disposed of shall be transferred to and held by National Council for Social Security Fund by way of allocation. National Council for Social Security Fund shall then commission the company to sell such shares in one or more tranches in the public offering. Income from the sale of state-owned shares shall be handed over to the National Social Security Fund.

Pursuant to the Articles, issuance of bonds, other securities by and listing of the Company shall be considered and passed at the general meeting.

The issuance of bonds, other securities and the listing of the Company shall be considered and approved at the Shareholders' meeting in accordance with the Articles of Association.

On 25 December 2012, according to the Reply on the Consent of the Transfer of 60% Equity Interest in Beijing Urban Construction Xinjie Rail Transit Engineering Consulting Co., Ltd. by Beijing Urban Construction Group Co., Ltd. (《關於同意北京城建集團有限責任公司劃轉北京城建信捷軌道交通工程諮詢有限公司60%股權的批覆》) (Jing Guo Zi Chan Quan [2012] No. 277), Beijing SASAC approved the application relating to the transfer of 60% equity interest in Xinjie Consulting from BUCG to the issuer at nil consideration.

On 5 February 2013, according to the Reply on the Gratuitous Transfer of the Assets of the Business Relating to the Rail Transit General Construction Contracting Department (《關於軌道交通工程總承包部資產無償劃轉的批覆》) (Jing Guo Zi Chan Quan [2013] No. 14), Beijing SASAC approved the asset transfer of the business relating to the rail transit general construction contracting department held by BUCG to the issuer at nil consideration.

On 27 March 2013, according to the Opinion on the Gratuitous Transfer of Land and Building Located at No. 5 Fuchengmen North Street, Xicheng District, Beijing by Beijing Urban Construction Group Co., Ltd. (《北京城建集團有限責任公司辦理西城區阜成門北大街5號土地及房屋無償劃轉手續的意見》) (Jing Guo Zi [2013] No. 64), Beijing SASAC approved the transfer of the land and building located at No. 5 Fuchengmen North Street, Xicheng District, Beijing by BUCG to the issuer at nil consideration.

On 24 October 2013, according to the Reply on the Approval of Valuation Items of the Proposal of Transformation to Joint Stock Company by Beijing Urban Engineering Design & Research Institute Co., Ltd. (《關於北京城建設計研究總院有限責任公司擬整體變更股份有限公司評估項目予以核准的批覆》) (Jing Guo Zi Chan Quan [2013] No. 220), Beijing SASAC approved the results of overall transformation evaluation of the issuer.

On 19 November 2012, the Reply on the Resolution of the Plan of Conversion and Listing of Beijing Urban Construction Design & Research Institute Co., Ltd. (Jing Guo Zi [2012] No.157 (《關於北京城建設計研究總院有限責任公司改制上市方案批覆》) (Jing Guo Zi [2012] No. 157) by Beijing SASAC agreed that our predecessor, after the completion of share conversion, could determine, on a reasonable basis, the stock size of the proposed public offering pursuant to the law and apply to the CSRC initial public offering of H shares in due course.

On 16 December 2013, the Company held the second Extraordinary General Meeting of 2013 to approve several resolutions related to this public offer, including Resolutions on the Specific Plan of the Initial Public Offering of Overseas Listed Foreign Shares (H Shares) (《關於首次公開發行境外上市外資股(H股)的具體發行方案的議案》), Resolutions on Specific Issues to Authorise the Board of Directors and to Agree the Board of Directors to authorise the Company to be Solely Responsible for This Public Offering (《關於授權董事會並同意董事會授權公司董事全權負責本次發行上市具體事宜的議案》).

On 20 December 2013, given the Reply on the issues related to State Shares Administration and Transfer of State-owned Shares of Beijing Urban Construction Design & Development Group Co., Ltd (《關於北京城建設計發展集團股份有限公司國有股權管理及國有股轉待持有問題的批覆》) (Guo Zi Chan Quan [2013] No. 1058), SASAC of the State Council approved the scheme of State Shares Administration and Transfer of State-owned Shares of the Company.

On 10 January 2014, the Company received the CSRC's Acceptance Notice of the Application for Administrative Approval (No. 131819). CSRC was of the view that the application materials for "Initial public offering of overseas listed foreign shares (H Shares) of Beijing Urban Construction Design & Development Group Co., Ltd and its listing on the Main Board of The Stock Exchange of Hong Kong Limited" (北京城建設計發展集團股份有限公司首次公開發行境外上市外資股(H股)並在香港聯合交易所有限公司主板上市) submitted by the Company were complete and had complied with the statutory form and decided to accept the application for administrative approval for further processing.

Pursuant to a letter issued by the NSSF (She Bao Ji Jin Fa [2014] No. 49) on 28 March 2014, the NSSF instructed us to (i) arrange for the sale of the Sale Shares, which represent all of the Domestic Shares that our State-owned Shareholders shall sell for the benefit of the NSSF in connection with the [**REDACTED**] pursuant to the relevant PRC rules; and (ii) remit the proceeds from the sale of the Sale Shares to an account designated by the NSSF. Please refer to "Structure of the Global Offering — The Selling Shareholders". The [**REDACTED**] and H Share Listing are subject to the approval of CSRC.

RELATIONSHIP WITH BUCG

Overview

Our Company was converted from our predecessor, Beijing Urban Construction Design & Research Institute Co., Ltd., a limited liability company, and established as a joint stock limited company under the PRC laws on 28 October 2013. BUCG, our Controlling Shareholder, is one of our promoters. After our conversion into a joint stock limited company, BUCG directly owns 65% of the total issued share capital of our Company. Immediately after completion of the [**REDACTED**], assuming that the Over-allotment Option is not exercised, BUCG will own approximately [**REDACTED**] of the total issued share capital of the Company (approximately [**REDACTED**] in the event that the Over-allotment Option is exercised in full) and will remain as our Controlling Shareholder.

BUCG is a wholly State-owned enterprise established as a limited liability company and directly under the supervision of Beijing SASAC. BUCG is principally engaged in construction contracting, real estate development and design and consultancy businesses. As at the Latest Practicable Date, BUCG is a 50.41% shareholder of Beijing Urban Construction Investment Development Co., Ltd. (北京城建投資發展股份有限公司), a company listed on the Shanghai Stock Exchange (Stock Code: 600266.SH), which primarily engages in the real estate development business. In December 2012, BUCG transferred its urban rail transit construction contracting business and related assets into us. For details about the Reorganisation, please refer to "History, Reorganisation and Corporate Structure — Corporate Structure and Business Segments — Reorganisation" in this [**REDACTED**]. Upon completion of the Reorganisation, save for the Minority Interests in the Three Investee Companies as defined below, BUCG no longer retains any businesses and assets related to urban rail transit engineering, and the qualifications necessary for BUCG to engage in urban rail transit engineering business were withdrawn after we had obtained the relevant business qualifications. BUCG is no longer qualified to engage in urban rail transit engineering business and will not engage in urban rail transit EPC (including PC) contracting business any more. The retained businesses of BUCG mainly include:

- construction contracting businesses other than in the area of rail transit, including mainly the EPC contracting business relating to property construction, municipal engineering of public utilities and public roads and the specialised construction business related to mechanical and electrical installation and steel structure, as well as the specialised design businesses related to the above construction contracting businesses (such specialised design businesses only serve BUCG's retained businesses and are not provided externally);

- real estate development; and

- landscape design and consultancy.

In addition, BUCG holds 20%, 20% and 6% minority equity interests (the "**Minority Interests**") in Beijing Urban Construction Yuandong Construction Investment Group Co, Ltd. (北京城建遠東建設投資集團有限公司), Beijing Urban Construction Road & Bridge Engineering Co, Ltd. (北京城建道橋建設集團有限公司) and Beijing Urban Construction & Zhongnan Group of Civil Engineering Co, Ltd. (北京城建中南土木工程集團有限公司) (the "**Three Investee Companies**") respectively and all of which have the professional qualifications for urban rail transit construction contracting business. Beijing Urban Construction Yuandong Construction Investment Group Co, Ltd. (北京城建遠東建設投資集團有限公司)

mainly engages in, among others, (i) licensed business activities including contracting overseas engineering projects that match its strengths, size and business, dispatching service personnel necessary for the implementation of the aforementioned overseas projects, and (ii) general business activities including, among other things, general construction contracting. Its registered capital is RMB101 million and its management is independent of and not related to our Company, although BUCG is entitled to and has appointed one representative out of nine members of the board of this company. Beijing Urban Construction Road & Bridge Engineering Co, Ltd. (北京城建道橋建設集團有限公司) mainly engages in, among other things, (i) licensed business activities including production of commodity concrete and asphalt concrete, transport of goods, and dispatching service personnel necessary for the implementation of overseas contracted projects, and (ii) general business activities including, among other things, general construction contracting. Its registered capital is RMB300 million. BUCG is entitled to and has appointed one representative namely, Mr. Chen Daihua, who is also our non-executive Director, out of seven members of the board of this company. BUCG has nominated Mr. Li Shengjun to replace Mr. Chen Daihua and the appointment is subject to completion of the corporate approval process. According to the confirmation letters issued by Beijing Urban Construction Yuandong Construction Investment Group Co, Ltd. (北京城建遠東建設投資集團有限公司) and Beijing Urban Construction Road & Bridge Engineering Co, Ltd. (北京城建道橋建設集團有限公司) both dated 16 April 2014, up to the date of the confirmation letters, neither of them had undertaken any urban rail transit general construction contracting projects and neither of them were in competition with the Company in the urban rail transit general construction contracting business. Beijing Urban Construction & Zhongnan Group of Civil Engineering Co, Ltd. (北京城建中南土木工程集團有限公司) mainly engages in, among others, (i) licensed business activities including general cargo transport, and (ii) general business activities including, among other things, general construction contracting. Its registered capital is RMB200 million and its management is independent of and not related to our Company although BUCG is entitled to and has appointed one representative out of five members of the board of this company. According to the confirmation letter issued by Beijing Urban Construction & Zhongnan Group of Civil Engineering Co, Ltd. (北京城建中南土木工程集團有限公司) dated 4 June 2014, it had not undertaken any urban rail transit general construction contracting projects up to the date of the confirmation letter. Other than the Minority Interests, BUCG does not hold any shareholding or equity interest in any other companies with professional qualifications for the urban rail transit construction contracting business.

For the purposes of the Reorganisation and establishment of our Company, BUCG has discussed with the other shareholders of each of the Three Investee Companies about its proposed transfer of the its respective Minority Interests to our Company. Given that the existing articles of association of each of the Three Investee Companies contain pre-emptive rights provision in favour of the other shareholders and the other shareholders have also indicated to BUCG that they would exercise such pre-emptive rights upon any proposed transfer of the Minority Interests, BUCG has not been able to transfer the Minority Interests to the Company. In view of this, BUCG issued an undertaking letter to our Company on 26 December 2013, specifying that:

- it will continue to communicate with the other shareholders of the Three Investee Companies and procure them to agree to its transfer of the Minority Interests to our Company;

- subject to the approval of all other shareholders of the Three Investee Companies and the permission of the relevant competent authorities, it will transfer the Minority Interests to our Company as and when appropriate in the future; and

- it will not increase its shareholding in the Three Investee Companies.

Delineation of Business and Competition

Our core businesses include:

- survey, design and consultancy businesses, including but not limited to urban rail transit engineering business and planning, survey, design and consultancy business of industrial and civil construction and municipal engineering (excluding landscape business);

- EPC contracting, PC contracting, investments and operation of urban rail transit and its integration projects; and

- commercialisation of urban rail transit related self-owned and jointly-owned patent technology.

Our design, survey and consultancy business includes design, survey, and consultancy relating to urban rail transit and industrial and civil construction and municipal engineering but does not include landscape design and its related consultancy business, which is retained and engaged by BUCG. Our construction contracting business is focused on the contracting business of urban rail transit and its integration projects, while BUCG is engaged in EPC contracting business other than rail transit. The EPC contracting business of BUCG mainly includes property construction, municipal engineering of public utilities and public roads and the specialised construction business related to mechanical and electrical installation and steel structure. BUCG is also engaged in the provision of specialised design that serves its construction contracting businesses (such as specialised designs for building intelligence system, building decorations and light-steel structure). Such specialised design businesses only serve BUCG's retained businesses and are not provided externally.

The Directors consider that, other than the Minority Interests in the Three Investee Companies, the retained businesses of BUCG are not likely to compete, directly or indirectly, with our core businesses. Together with the non-compete undertakings given by BUCG in our favour, as well as the due compliance with the relevant provisions set out in the Non-competition Agreement entered into between our Company and BUCG (as described below), the Directors are of the view that BUCG's retained operations do not pose any competition or potential competition with our core businesses. Upon the H Share Listing, we will continue to conduct certain continuing connected transactions with BUCG and therefore, our Company has also entered into certain framework agreements with BUCG to govern the conduct of such continuing connected transactions post H Share Listing. For details of such agreements and arrangement, please refer to "Connected Transactions" in this [**REDACTED**].

Non-competition Agreement

Non-competition in the industry

We entered into a Non-competition Agreement with BUCG on 24 January 2014 and a Supplemental Agreement to the Non-competition Agreement on 16 June 2014, pursuant to which BUCG agreed not to compete with our core businesses, and will procure its subsidiaries (excluding the Group) and its associates not to compete with our core businesses, and will inform us of any new business opportunities.

BUCG has also undertaken in the Non-competition Agreement that during the term of such agreement, it will not, and will (i) procure its subsidiaries and associates not to, and (ii) procure the relevant investee companies, through the exercise of its voting rights in such companies, not to:

- directly or indirectly engage in or participate in, or assist others to engage in or participate in, any business in any form, that competes, or will compete in the future, or is likely to compete with our core businesses; or

- hold any equity or interest in competing business through any third party.

In furtherance of the procurement undertaking, BUCG has also proposed to transfer its Minority Interests in the Three Investee Companies to our Company. As any such transfer is subject to the pre-emptive rights of the other shareholders, BUCG has not been able to transfer the Minority Interests to our Company. BUCG has also provided an undertaking to us in respect of such transfer. See " — Relationship with BUCG — Overview".

The above non-competition undertaking does not apply where BUCG or its subsidiaries, through securities investment, hold in aggregate no more than 5% equity interest in a domestic or overseas listed company, whose business competes with our core businesses, but do not control the board of directors of such company.

New Business Opportunities

BUCG has further undertaken in the Non-competition Agreement that, during the term of the Non-competition Agreement:

(1) If BUCG becomes aware of any business opportunities which are identical with or similar to our core businesses:

   - it will notify us in writing within three days after becoming aware of such business opportunity and will provide us with all information and reasonable assistance, including procuring its subsidiaries and associates to provide us with the relevant information, for our consideration of whether or not to take up or bid for such business opportunity; and

   - if we, having considered the relevant information, decide not to take up or bid for the new business opportunity (including any business related to planning, survey, design and/or consultancy), BUCG undertakes not to take up or participate in such new business opportunity in any manner.

(2) Notwithstanding the provisions described in (1) above, if the new business opportunity is not related to rail transit transportation projects or unrelated to the provision of planning, survey, design and consultancy services for industrial and civil construction and municipal engineering (such as design businesses related to chemical engineering and metallurgical mining engineering, etc.), we will decide whether or not to take up or bid for the new business opportunity in the following manner:

   - if the aggregate amount for the new business opportunity does not exceed RMB80 million (inclusive), our general manager's office will, at its own discretion, decide whether or not to take up or bid for such new business opportunity; and

- if the aggregate amount of the new business opportunity exceeds RMB80 million, we will convene a board meeting at which all independent non-executive Directors will be present to decide whether to take up or bid for the new business opportunity.

If the general manager's office decides to give up or more than half of the independent non-executive Directors present at the relevant board meeting disapprove of taking up or bidding for the new business opportunity, we will notify BUCG of the decision as soon as possible. Only under this circumstance may BUCG take up or bid for the new business opportunity upon prior written notice to us.

BUCG's Further Undertakings

Pursuant to the Non-competition Agreement, BUCG has further undertaken that:

(1) it consents to our disclosure in our annual report the results of the review by our independent non-executive Directors of the compliance with by BUCG the undertaking provided for under the Non-competition Agreement; and

(2) it will provide us with the information about its compliance with the Non-competition Agreement as soon as practicable after the end of each accounting year.

Termination

The Non-competition Agreement shall continue to be effective until the earlier of the occurrence of the following situations:

(1) BUCG and its subsidiaries and associates, in aggregate, directly or indirectly hold less than 30% of the entire issued share capital of the Company, or BUCG is no longer deemed our Controlling Shareholder; or

(2) the H Shares cease to be listed on the Hong Kong Stock Exchange, except that trading in the H Shares is temporarily suspended for any reason.

Our PRC legal advisors, Haiwen & Partners, consider that the terms of the Non-competition Agreement do not violate any relevant provisions of PRC laws and the agreement is legally binding on both parties.

Review by Independent non-executive Directors and Periodic Disclosure

Our independent non-executive Directors will review the new business opportunities referred to our Company by BUCG and will disclose the results of such reviews with basis, in our interim and annual reports after the H Share Listing.

Independence From BUCG

Management Independence

Given the following factors, we consider that our operation will be independent from BUCG and its associates (or "close associates" as defined in the new Rule 1.01 of the Hong Kong Listing Rules which will come into effect on 1 July 2014) after the [**REDACTED**]:

The Board consists of 12 Directors, three of whom, namely Ms. Wang Liping, Mr. Xu Jianyun and Mr. Chen Daihua, also hold directorship or senior management positions in BUCG. Set out below is a table summarising the positions held by these Directors in our Company and BUCG:

Name of Directors	Positions in our Company	Positions in BUCG as at the Latest Practicable Date
Wang Liping	Non-executive Director and Chairman of the Board	Vice-general manager
Xu Jianyun	Non-executive Director	Chairman of the Board
Chen Daihua	Non-executive Director	Director and general manager

Ms. Wang Liping, Mr. Xu Jianyun and Mr. Chen Daihua ("**Overlapping Directors**") are our non-executive Directors. They serve as the members of the Board and participate in decision making of significant matters such as formulation of our general overall development strategies and corporate operation strategies but do not take part in the daily management of the Company. Ms. Cheng Yan and Mr. Liao Guocai, deputy general managers of our Company, are also carrying the title as assistants to the general manager of BUCG. They neither participate in any business or management activities of, nor receive any remuneration from BUCG. For information about the technical knowledge, expertise and experience of the Overlapping Directors, please refer to their respective biographical details as set out in "Directors, Supervisors, Senior Management and Employees" in this [**REDACTED**].

Save as disclosed above, none of the Directors and members of the senior management holds any directorship and senior management positions in BUCG. As our management team is different from BUCG's, there are sufficient non-overlapping Directors who are independent from BUCG and possess relevant experience to ensure that the Board is able to perform its functions properly.

Upon completion of the Reorganisation and after we have obtained the relevant qualifications, BUCG ceases to retain any construction contracting qualifications related to the urban rail transit engineering and ceases to operate any urban rail transit EPC (including PC) contracting business. The Directors expect that there will not be any conflict of interest involving BUCG or its associates. In the event of any conflict of interest arising, we believe we have sufficient and effective control measures to enable the Directors and senior management to discharge their duties independently, avoid potential conflict of interest and protect the interests of the Shareholders as a whole on the following grounds:

- BUCG has entered into the Non-Competition Agreement, pursuant to which it agrees not to compete, either directly or indirectly, with us and will notify us of any new business opportunities. The independent non-executive Directors will decide whether to take up or bid for the new business opportunities according to the relevant provisions of the Non-Competition

Agreement. If the new business opportunity relates to projects that are unrelated to rail transit or transportation or planning, survey, design and consultancy business unrelated to industrial and civil construction and municipal engineering, there would be sufficient mechanism for the independent non-executive Directors to decide whether to take up or bid for those new business opportunities. A series of precautionary measures have been adopted by us to ensure implementation of the Non-Competition Agreement, deal with potential conflict of interest and protect interests of the Shareholders as a whole. Details for the precautionary measures are set out in the paragraph titled "Non-Competition Agreement" of this section.

- The decision-making mechanism of the Board set out in the Articles of Association already includes relevant provisions to avoid conflict of interest, including but not limited to, for example, in the event that conflict of interest arises and resolutions have been proposed for consideration and discussion in relation to a transaction with BUCG, the Directors connected to BUCG shall abstain from voting and shall not be counted in the quorum. Those resolutions are subject to the approval of more than half of the Directors who are independent in respect of the matter they are voting for.

- The three Directors who hold positions in BUCG are non-executive Directors, who, as the members of the Board, are responsible for making important decisions in respect of our general overall development strategies and corporate operation strategies but do not take part in the daily management of the Company. Our executive Directors and a team of experienced senior management members with a long employment history in the Company, all of whom are independent of BUCG and are our full-time employees, are responsible for the daily management of the Company.

- Neither our Directors or members of the senior management has any interest in the shares of BUCG, nor, save as the Overlapping Directors, have any of them received any remuneration, benefit and bonus from BUCG.

- Each of our Directors is aware of his or her fiduciary duty as a Director, which requires, among other things, he or she acts for the benefit and best interest of the Company.

In light of the above, the Directors are of the view that we have our own management team and are able to remain independent of BUCG and its associates (or "close associates" as defined in the new Rule 1.01 of the Hong Kong Listing Rules which will come into effect on 1 July 2014).

Operational Independence

Pursuant to the Reorganisation Agreements, BUCG had transferred its urban rail transit construction contracting business and related assets to us. Such business is independently operated with a comprehensive production, supply and sales chains. Save for the sharing of certain facilities in a number of properties in Chengjian Building located at No.18, Beitaipingzhuang Road, Haidian District, Beijing rented by us from BUCG pursuant to the Property and Land Leasing Framework Agreement, we and BUCG have not shared any facilities or resources. We have sufficient capital, assets, equipment, technologies and human resources required for independent business operation and the qualifications for all of our existing businesses. Other than those disclosed in this [**REDACTED**], we own the legal titles of all important patents involved in our existing businesses.

During the transitional period from the entering into of the Reorganisation Agreements in December 2012 to January 2014, when we obtained the last qualification for construction contracting business, and as we had not obtained all the licences to carry on urban rail transit construction contracting business, BUCG bidded and performed urban rail transit construction contracting projects on our behalf. For further details, please refer to "Corporate Structure and Business Segments — Reorganisation" of the "History, Reorganisation and Corporate Structure" section in this [**REDACTED**]. Upon obtaining all necessary qualifications and licences for urban rail transit construction contracting business in January 2014, we are able to independently bid for, enter into and perform new contracts without any assistance from BUCG and have not required the assistance of BUCG in bidding any construction contracts since then. The Directors are of the view that had we obtained all the licences for urban rail transit construction contracting business before the Track Record Period, we would have been able to bid, enter into and perform construction contracting contracts independently of BUCG throughout the Track Record Period.

We will continue to conduct certain connected transactions with BUCG after the H Share Listing. As such, we have entered into the Trademark Licence Framework Agreement, Patent Licence Framework Agreement, Property and Land Leasing Framework agreement and Integrated Services Framework Agreement with BUCG. Please refer to "Connected Transactions" in this [**REDACTED**] for details of these agreements and arrangements. In relation to the labour services to be provided by BUCG, its subsidiaries and/or associates under the Integrated Services Framework Agreement, such labour services are general unskilled construction services which only require a general, but not a technical, licence to provide and we may readily find alternative sources of labour services from other labour service providers. We usually subcontract labour services through a tendering process (publicly or by invitation) or a process of pricing enquiries among a list of preferred labour service providers on an arm's length basis and upon normal commercial terms. In each case, we appoint the subcontractors based on the commercial terms and implement stringent evaluations to monitor quality, performance and credit history of each subcontractor and apply our quality control to monitor and supervise the performance of subcontractors. The training services under the Integrated Services Framework Agreement are mainly in respect of academic financial training services for general working knowledge provided by a training centre affiliated to BUCG. We can readily find alternative providers for such training services. By reason of the above, the Company does not rely on BUCG for the provision of the labour services and training services under the integrated services. The Directors have confirmed that these connected transactions are entered into on normal commercial terms and on an arm's length basis in the ordinary course of our businesses. Pursuant to the relevant framework agreements, we are able to, at our own discretion, seek the relevant services from, or enter into the transactions with, other Independent Third Parties if we are offered similar or more favourable terms and conditions for these services and/or transactions.

We have our own organisation structure with independent departments in charge of various specific functions. Our operation decisions are made by the general meeting of the Shareholders, the Board, the Supervisory Committee and management personnels according to their respective responsibilities. Apart from formulating a comprehensive set of internal control procedures to enhance effectiveness of our business operation, we have adopted a series of well-established precautionary measures in a bid to avoid conflict of interest and hence effectively protect the interests of the Shareholders as a whole. Details of these measures are set out in "Independence from BUCG — Management Independence" of this section. Also, we have already adopted precautionary measures to ensure the effective implementation of the Non-competition Agreement between BUCG and the Company. Please refer to "— Non-competition Agreement" of this section for details of these precautionary measures. We have also adopted a full set of the corporate governance code, including the rules on the procedure of general meeting of Shareholders, the rules on the procedure of the Board, the rules on the procedure of the Supervisory Committee and the guidelines for connected transactions and information disclosure, which are all formulated in accordance with the relevant laws and regulations.

In light of the above, the Directors are of the view that our operation is independent of BUCG and its associates (or "close associates" as defined in the new Rule 1.01 of the Hong Kong Listing Rules which will come into effect on 1 July 2014).

Financial Independence

During the Track Record Period, BUCG guaranteed our obligations under certain bidding guarantees, performance guarantees and prepayment guarantees that we provided to the relevant clients in connection with our design, survey and consultancy projects. Most of such guarantees will expire in three to five years from the Listing Date. As at 31 December 2013, such guarantees amounted to approximately RMB360.23 million. In addition, prior to the Reorganisation, BUCG issued bidding guarantees, performance guarantees and prepayment guarantees to clients in respect of its urban rail transit construction contracting projects. Although the urban rail transit construction contracting business was transferred to us following the Reorganisation, BUCG remained as the issuer of such guarantees. As at 31 December 2013, such guarantees amounted to approximately RMB843.40 million. The aforesaid guarantees were provided by BUCG in favour of us and we did not provide any security for those guarantees. As the immediate release of such guarantees given by BUCG is not in the commercial interests of our Company and it is not commercially viable to obtain the consents from the relevant counterparties, those guarantees will continue to be in effect after the H Share Listing. Notwithstanding the aforesaid continuing provision of guarantees by BUCG, we are capable of carrying on our business independently of BUCG after the H Share Listing based on the following:

- in respect of the design, survey and consultancy segment, as at 30 April 2014, we obtained performance guarantees, bidding guarantees and prepayment guarantees from the banks in an aggregate sum of approximately RMB198.65 million in respect of 68 contracts entered into by our Group and other contracts to be entered into by the Group after winning the bids, since the commencement of the Reorganisation. The total contract sum of the 68 signed contracts amounted to approximately RMB1,475.34 million and all such guarantees were provided independent of BUCG;

- in respect of the construction contracting segment, as at 30 April 2014, we obtained performance guarantees, biding guarantees and prepayment guarantees in an aggregate sum of approximately RMB396.76 million in respect of five signed PC contracts and one unsuccessful bid. Such guarantees, however, were provided in the name of BUCG, by utilising our banking facilities available, and the successful PC contracts were entered into or bid by BUCG on our behalf pursuant to the transitional period arrangements under the Supplemental Agreement to the Reorganisation Agreements. The total contract sum of the five signed PC contracts amounted to approximately RMB1,386.54 million;

- we have a proven capability to obtain adequate financing. As at 30 April 2014, we had a total standby credit facility of approximately RMB1.69 billion, of which approximately RMB0.78 billion was utilised to provide various forms of guarantees for our contracts, including contracts entered into by BUCG on our behalf and guaranteed in the name of BUCG but by utilising our banking facilities;

- we are currently in discussion with a number of PRC commercial banks to increase our standby credit facility before the H Share Listing; and

- we have a strong cash position. As at 31 December 2013, we had cash and bank balances and pledged deposits of RMB1,817.76 million, which exceeds the total amount of outstanding guarantees provided by BUCG in our favour.

We will not obtain any guarantee from BUCG after the lapse of the existing guarantees offered by BUCG upon the H Share Listing.

During the Track Record Period, we received borrowings from BUCG and we also provided borrowings to certain subsidiaries of BUCG. The borrowings from BUCG and borrowings to certain subsidiaries of BUCG had been fully settled as at 31 December 2013. With adequate internal resources and good reputation to support our daily operations, we have sufficient capital and bank facilities for independent operation and have independent access to third-party financing. Please refer to "Financial Information — Indebtedness and Contingencies" in this [**REDACTED**].

We have also set up an independent finance department and have established our own internal control and accounting system, as well as a complete financial management system. We open and manage our own bank accounts independently and do not share any bank accounts with BUCG. We have made independent tax registrations and pay tax independently pursuant to the applicable PRC tax laws and regulations.

In light of the above, the Directors are of the view that we will be financially independent of BUCG and its associates (or "close associates" as defined in the new Rule 1.01 of the Hong Kong Listing Rules which will come into effect on 1 July 2014) upon the H Share Listing.

RELATIONSHIP WITH RAIL TRANSIT DESIGN INSTITUTE

On 15 November 2012, our Company, BUCG, Rail Transit Company and Beijing Urban Rail Transit Consulting Co., Ltd. (北京城市軌道交通諮詢有限公司) jointly established Rail Transit Design Institute with a registered capital of RMB10.00 million. Our Company, BUCG, Rail Transit Company and Beijing Urban Rail Transit Consulting Co., Ltd., a subsidiary of Rail Transit Company, hold 40%, 10%, 30% and 20% equity interests of Rail Transit Design Institute, respectively in proportion to the capital contribution made by each of them. Rail Transit Company is one of our Shareholders (which will hold approximately [**REDACTED**] equity interest in the Company upon completion of the [**REDACTED**], assuming the Over-allotment Option is not exercised), and was our largest client during the Track Record Period. Please refer to "Business — Major Clients" for more information on Rail Transit Company. On 24 January 2014, the Company and BUCG entered into the Agreement on Exercise of Voting Rights of Shareholders and Directors, pursuant to which BUCG has agreed to act in concert with our decisions in respect of all matters relating to the operation and management of Rail Transit Design Institute that require the approval of the general meeting of its shareholders and its board of directors.

The scope of operation of Rail Transit Design Institute covers the survey and design of urban rail transit networks, routes and urban underground space development, technical consultancy and financial information consultancy. Given that the scope of operation of Rail Transit Design Institute overlaps with some of ours to a certain extent, in order to avoid any potential competition, Rail Transit Design Institute issued an undertaking letter to us to the effect that as from the date of undertaking, its principal businesses will be restricted to rail transit engineering technical project research, standard network construction, supervision business, engineering technical solution and rail transit scientific research projects (which are businesses not in competition with our core business) and further undertakes that it will not engage in any business competing with our core businesses.

REORGANISATION OF OUR COMPANY

Indemnity Undertaking given by BUCG

In December 2012, prior to our Company's conversion into a joint stock limited company, BUCG transferred to us its urban rail transit construction contracting business and the related assets at nil consideration pursuant to the Reorganisation Agreements, thereby forming our construction contracting business segment. Following completion of the business and assets transfer, our business is divided into two major segments, namely design, survey and consultancy and construction contracting. For further details regarding the Reorganisation, please refer to "History, Reorganisation and Corporate Structure" in this [**REDACTED**].

On 24 January 2014, BUCG and our Company entered into a Non-competition Agreement pursuant to which BUCG undertakes not to engage in businesses that are in competition with our businesses and agrees to assume all the risks and liabilities associated with the business and assets transferred to us prior to the date of transfer. Pursuant to the agreement, in the event that any liabilities or losses are incurred by us after the date of transfer as a result of any reasons or matters associated with the related business and assets that existed prior to the date of transfer, BUCG agrees to indemnify us in full.

Implications under the Hong Kong Listing Rules

Any transaction that might take place after the H Share Listing as a result of the aforesaid indemnity undertaking will not constitute connected transactions or continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules and will not be subject to any regulatory requirements under the Hong Kong Listing Rules, as the indemnity undertaking given by BUCG was pre-existing to the H Share Listing. In addition, any payment that may be made to us by BUCG in the future due to the performance of its obligations pursuant to the indemnity undertaking following the [**REDACTED**] shall not constitute a new transaction for the purpose of the Hong Kong Listing Rules.

CONNECTED TRANSACTIONS

Upon the H Share Listing, the transactions between our Company and our connected persons will constitute our connected transactions under Chapter 14A of the Hong Kong Listing Rules. The definition of connected persons under Chapter 14A of the Hong Kong Listing Rules is different from the definition of related parties under the International Accounting Standard 24, "Related Party Disclosures" and its interpretations by the IASB. Accordingly, connected transactions set out in this section, which are described and disclosed in accordance with Chapter 14A of the Hong Kong Listing Rules, differ from the related party transactions set out in Note 36 of Section II to Appendix I — "Accountants' Report". Details of the connection transactions of our Company are set out below.

CONNECTED PERSONS

Our Company has entered into certain agreements and/or transactions with entities which will become our connected persons upon the H Share Listing and such agreements and/or transactions will constitute connected transactions or continuing connected transactions of our Company under the Hong Kong Listing Rules. These entities include:

(i) BUCG: Immediately following completion of the [**REDACTED**], BUCG will own approximately [**REDACTED**] of the Company's then total issued share capital if the Over-allotment Option is not exercised (or approximately [**REDACTED**] if the Over-allotment Option is exercised in full). BUCG will therefore be our Controlling Shareholder and hence a connected person of our Company by virtue of Rule 14A.11(1) of the Hong Kong Listing Rules (or the new Rule14A.07(1) of the Hong Kong Listing Rules which will come into effect on 1 July 2014).

(ii) Certain associates of BUCG (other than the Group): Such associates will be connected persons of our Company by virtue of Rule 14A.11(4) of the Hong Kong Listing Rules (or the new Rule 14A.13(1) of the Hong Kong Listing Rules which will come into effect on 1 July 2014).

Entities mentioned in paragraph (ii) above will constitute "close associates" of BUCG and BUCG along with such entities will constitute "core connected persons" of our Company by virtue of new Rule 1.01 of the Hong Kong Listing Rules which will come into effect on 1 July 2014.

EXEMPT CONNECTED TRANSACTIONS

Provision of Guarantee to us and/or our subsidiaries by BUCG

During the Track Record Period, BUCG provided guarantees in favour of us, without us providing any security for such guarantees. Please refer to "Relationship with BUCG and Rail Transit Design Institute — Relationship with BUCG — Independence from BUCG — Financial Independence" in this [**REDACTED**] for details about the aforesaid guarantees.

As the immediate release of such guarantees given by BUCG is not in the commercial interests of our Company and it is not commercially viable to obtain consents from the relevant counterparties, those guarantees will continue to be in effect after the H Share Listing. According to the Hong Kong Listing Rules, provision of the above guarantees by BUCG constitute financial assistance of our Company under the Hong Kong Listing Rules. However, since such financial assistance was provided for the benefit of the Group on normal commercial terms where no security over our assets was granted in respect of the financial assistance, it is exempt from the requirements of reporting, announcement and independent shareholders' approval according to Rule 14A.65 (4) of the Hong Kong Listing Rules (or the new Rule 14A.90 of the Hong Kong Listing Rules which will come into effect on 1 July 2014).

CONTINUING CONNECTED TRANSACTIONS

Exempt Continuing Connected Transactions

Our Company and BUCG entered into the trademark licence framework agreement and the patent licence framework agreement in June 2014. The transactions contemplated thereunder will constitute exempt continuing connected transactions of our Company upon the H Share Listing. Such transactions are entered into on normal commercial terms. The Directors currently expect that each of the relevant "percentage ratios" calculated pursuant to the Hong Kong Listing Rules will be less than 0.1% on an annual basis. Pursuant to the Hong Kong Listing Rules, such transactions will be exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

1. Trademark Licence Framework Agreement

Our Company and BUCG entered into a Trademark Licence Framework Agreement on 18 June 2014, pursuant to which BUCG agrees to irrevocably grant us and other companies that we have an equity stake in a non-exclusive license to use 32 trademarks registered by BUCG in the PRC (for more information about these trademarks, please refer to "Appendix VI — Statutory and General Information — Further Information about Our Business — Intellectual property rights — Trademarks" to this [**REDACTED**]) at nil consideration. We have not paid any fees in connection with the aforesaid trademark licensing during the Track Record Period and no fees shall be paid in the same respect. The Trademark Licence Framework Agreement is for a term of three years commencing from the date of signing the agreement. Unless otherwise notified by us in writing to BUCG, the agreement shall be renewed automatically for another three years upon its expiry. The Trademark Licence Framework Agreement includes irrevocable provisions and therefore, BUCG cannot terminate the agreement without our consent.

2. Patent Licence Framework Agreement

Our Company and BUCG entered into the Patent Licence Framework Agreement on 9 June 2014, pursuant to which BUCG agrees to irrevocably grant us and other companies that we have an equity stake in: (i) a non-exclusive licence to use 13 patents owned by BUCG in the PRC (including invention patents and utility model patents); and (ii) regarding the 9 patents and patent application rights owned by BUCG in the PRC which are closely related to our urban rail transit construction contracting business, an exclusive licence to use these 9 patents and patent application rights during the transition period at nil consideration (BUCG signed certain patent transfer agreements with our Company, pursuant to which it agrees to transfer these 9 patents and patent application rights to our Company). For more information about these patents, please refer to "Appendix VI — Statutory and General Information — Further Information about Our Business — Intellectual property rights — Patents" to this [**REDACTED**]. We have not paid any fees in connection with the aforesaid patent licensing during the Track Record Period and no fees shall be paid in the same respect (except for the fees relating to the filings with the relevant governmental authorities). The Patent Licence Framework Agreement is for a term of three years commencing from the date of signing the agreement. The Patent Licence Framework Agreement includes irrevocable provisions and therefore, BUCG cannot unilaterally terminate the agreement without our consent.

Non-exempt Continuing Connected Transactions

1. Property and Land Leasing Framework Agreement

Upon our Company's conversion into a joint stock limited company, we leased certain properties and land in the PRC from BUCG and its subsidiary for general business and ancillary purposes. To regulate the relationship between us and BUCG in this regard, our Company and BUCG entered into a Property and Land Leasing Framework Agreement dated 18 June 2014 setting out the details of various leased properties. The principal terms of such framework agreement are as follows:

- The properties and land leased to us (or our relevant subsidiaries) from BUCG, its subsidiaries or associates for office and operation uses (consisting of three properties occupying a total GFA of approximately 13,356 sq.m. and relevant land occupying a total site area of approximately 11,360 sq.m.) include the following properties and land:
    - Tower One, Building No. 6, Wu Qu, An Hui Lane, Chaoyang District, Beijing and the corresponding land with a GFA of approximately 4,200 sq.m. for the building and a site area of approximately 5,333 sq.m. for the land at a rental price of approximately RMB0.96 million per year;
    - Office Building located at No. 7 Toutiao, Nan Lishi Road, Xicheng District, Beijing and the corresponding land with a GFA of approximately 8,000 sq.m. for the building and a site area of approximately 6,027 sq.m. for the land at a rental price of RMB11.00 million per year;
    - Rooms A606–608, A610–11 and B606–09, 6/F, Chengjian Mansion Office Tower, No. 18 North Taipingzhuang Road, Haidian District, Beijing with a GFA of approximately 1,156 sq.m. at a rental price of approximately RMB1.65 million per year; and
    - any additional properties that we may lease from BUCG during term of the Property and Land Leasing Framework Agreement.
- We and BUCG, its subsidiaries or associates shall enter into separate leasing agreements or sign supplemental agreements to set out specific terms and conditions relating to the leased properties and land in accordance with the principles and conditions provided for in the framework agreement.
- In respect of properties for which BUCG, its subsidiaries or associates have not yet obtained land ownership certificates, BUCG grants a licence to us to use these properties and has undertaken to use its best endeavours to obtain the requisite land ownership certificates within one year from the signing date of the Property and Land Leasing Framework Agreement.
- BUCG shall ensure and/or procure the property management companies to maintain proper management of the leased properties, including but not limited to inspection and repair of the leased properties and relevant public facilities to keep them in good condition.
- BUCG has agreed to indemnify us against any loss or damage we may suffer or incur as a result of any issues relating to the title arising from the use of properties and land with defective titles.

- We may, at any time during the term of the Property and Land Leasing Framework Agreement, by giving not less than 6 months' notice, terminate any lease made pursuant to and comprised under such agreement.

The Property and Land Leasing Framework Agreement is for a term of 10 years commencing from the signing date of the agreement and is subject to renewal. The agreement is of a duration longer than three years as otherwise normally permitted for the connected transactions under the Hong Kong Listing Rules. The Directors and the Joint Sponsors consider the term of the Property and Land Leasing Framework Agreement to be consistent with normal commercial terms and can secure long-term property use rights for us, thus avoiding unnecessary disruptions to our business caused by relocation and enabling us to ensure long-term development and continuity of our operations. Such arrangement is in our commercial interest as it also enables us to save initial set-up costs such as interior decoration and lease renewal expenses in the case of short-term leases. As such, the Joint Sponsors are also of the view that it is consistent with normal business practice for us to enter into the Property and Land Leasing Framework Agreement with a term of longer than three years.

Pricing

Under the Property and Land Leasing Framework Agreement, the rentals and other charges shall be determined and paid as follows:

- We shall pay rentals on a yearly and quarterly basis to BUCG, its relevant subsidiaries or associates in respect of the properties and land leased to us.

- Both parties shall review and adjust the rentals every three years during the duration of the Property and Land Leasing Framework Agreement by reference to the prevailing market rate.

- Any downward adjustment in rentals for such properties leased to us may be discussed between the parties at any time during the term of the Property and Land Leasing Framework Agreement notwithstanding the normal three-year rental adjustment mechanism as described above.

- We shall also be responsible for all utility charges, property management fee and other miscellaneous expenses (property tax excluded) incurred in using the relevant properties and land during the term of the lease.

- The utility charges, property management fee and other miscellaneous expenses shall be paid in accordance with provisions set out in the relevant lease agreements.

Historical figures

The historical figures for the Property and Land Leasing Framework Agreement above, consisting of rentals and other charges such as property management fees, for the three years ended 31 December 2011, 2012 and 2013 are as follows:

	Year ended 31 December		
	2011	**2012**	**2013**
	(RMB million)	**(RMB million)**	**(RMB million)**
Expenditure			
Expenditure incurred by us for leasing the property and land from BUCG and its subsidiaries	3.57	13.42	13.87

The rental and relevant charges paid by us to BUCG and its subsidiary increased to RMB13.42 million in 2012 from RMB3.57 million in 2011 as we started to rent the office building and the corresponding land located at No.7 Toutiao, Nan Lishi Road in 2012. In 2013, we started to rent an additional property located at Chengjian Mansion Office Tower.

Annual caps

Pursuant to the Property and Land Leasing Framework Agreement, the rentals may be adjusted once every three years by reference to the prevailing market rate. Taking into account of (i) the historical figures mentioned above (in particular the highest transaction amount over the Track Record Period); (ii) the current rentals paid under our existing leases with BUCG, which are generally lower than the prevailing market rent of offices located in the same area in Beijing, (iii) the growth rate of office rentals in Beijing over the Track Record Period and the possibility of rental growth and the rate of such growth in the upcoming years, for example, Beijing Grade A office rental levels experienced an average annual rental growth of approximately 14% in the past five years from 2008 to 2012, and are expected to grow by a rate of approximately 5% to 8% per year for the next two to three years; (iv) the inflation and improvement of living standards in the PRC over the Track Record Period; and (v) benefiting from the positive investment environment for future growth in the PRC urban rail transit industry, our increase in demand for additional office and business premises due to the growth of our business and the potential new leases that we may enter into with BUCG, its subsidiaries and/or associates, the Directors estimated the annual caps as follows:

	Proposed Annual Caps		
	2014	**2015**	**2016**
	(RMB million)	**(RMB million)**	**(RMB million)**
Expenditure			
Expenditure to be incurred by us for leasing the property and land from BUCG, its subsidiaries and/or associates	16.00	18.00	21.00

2. *Integrated Services Framework Agreement*

Upon injection of the urban rail transit construction contracting business from BUCG into us in December 2012, BUCG no longer holds any qualification relating to the urban rail transit engineering business and is no longer engaged in survey, design and consultancy businesses or EPC (including PC) contracting business relating to the urban rail transit. However, BUCG still retains the EPC contracting business other than in the field of the urban rail transit, which mainly includes the EPC contracting business relating to property construction, municipal engineering of public utilities and public roads, and specialised construction contracting business relating to mechanical and electrical installation and steel structure. BUCG, its subsidiaries and/or associates require the integrated services including services relating to construction design, survey and consultancy and proprietary technology support from us from time to time in their ordinary and usual course of business. On the other hand, we also require the integrated services including engineering construction related services and training services from BUCG, its subsidiaries and/or associates from time to time in our ordinary and usual course of business. To regulate the mutual provision of the above services between us and BUCG, the Company entered into an Integrated Services Framework Agreement dated 18 June 2014 with BUCG. The principal terms of such framework agreement are as follows:

- The integrated services provided by BUCG, its subsidiaries and/or associates to us include:

  Engineering construction related services, including but not limited to provision of labour, supply of raw materials, equipment leasing; and

  training services and other services required by us to carry out our business.

- The integrated services provided by us to BUCG, its subsidiaries and/or associates include:

  Services relating to construction design, survey and consultancy, including but not limited to measurement, test, inspection of construction drawings; and

  training services and other services required by BUCG, its subsidiaries and/or associates to carry out their business.

- The parties may at their sole discretion provide the relevant services to any other third party provided that they shall ensure that they can provide the services to each other in accordance with the provisions in the relevant framework agreement.

- Both parties are entitled to select a third party to provide relevant services to them.

- BUCG, its subsidiaries and/or associates shall provide the aforesaid services on terms no less favourable than those offered to independent third parties under similar circumstances and shall not request us to provide services on terms more favourable than those offered to the independent third parties by us.

- The parties (or their associates or subsidiaries) shall enter into separate contracts to set out the specific terms and conditions relating to the relevant services according to the principles and conditions set out in the Integrated Services Framework Agreement.

The Integrated Services Framework Agreement takes effect from the date of signing and is valid for a term of three years and subject to renewal upon its expiry.

Pricing

Under the Integrated Services Framework Agreement, either party shall provide services to the other party at a price determined under the following pricing principles (and in the following order):

- price prescribed by the government if available; or
- where there is no government-prescribed price, then the government-guided price taking into account market factors; or
- where there is neither government-prescribed price nor government-guided price, then the price determined through tender process or other available market price; or
- where none of the above is available or where none of the above trading rules is applicable in the actual transaction, then the price to be agreed between the parties.

Historical figures

Assuming that the Reorganisation was completed on 1 January 2011 and the Integrated Services Framework Agreement has been in place since such date, the historical figures for the mutual provision of integrated services between BUCG and us during the Track Record Period are estimated as follows:

	Year ended 31 December		
	2011	**2012**	**2013**
	(RMB million)	**(RMB million)**	**(RMB million)**
Revenue			
Revenue generated by us from providing integrated services to BUCG, its subsidiaries and/or associates	4.71	24.56	14.57
Expenditure			
Expenditure incurred by us for provision of integrated services by BUCG, its subsidiaries and/or associates	119.17	75.81	117.39

During the Track Record Period, we provided design, survey and consultancy services to BUCG and its subsidiaries engaging in real estate development business. The substantial increase in our revenue generated from providing integrated services to BUCG, its subsidiaries and/or associates in 2012 was attributable to revenue generated from Dong Ba construction project, which is a civil engineering project that Exploration Institute, our subsidiary, undertook for a subsidiary of BUCG specialising in real estate development business in 2012 and which had a relatively large contract value. As it was a civil engineering project which could be completed within several months, the revenue generated from such project was recognised in its entirety in 2012, thereby substantially increasing the revenue generated by us from BUCG, its subsidiaries and/or associates in 2012.

During the Track Record Period, BUCG, its subsidiaries and/or associates largely provided services as subcontractors of our construction contracting projects as they possess the qualifications that we did not have to perform certain specialised parts of our projects. Accordingly, any fluctuation in the historical figures of expenditure incurred by us for the provision of integrated services by BUCG, its subsidiaries and/or associates was in correlation with the number of projects that we undertook in a given year and the demand for the specialised subcontracting services for which BUCG, its subsidiaries and associates possess the required qualifications. Accordingly, the expenditure incurred by us for provision of integrated services by BUCG, its subsidiaries and/or associates was relatively large in 2011 and 2013 as we engaged certain subsidiaries of BUCG to carry out subcontracting services in relation to several construction contracting projects regarding certain Beijing subway lines.

Annual caps

The Directors made the following estimates in respect of the revenue to be generated by us from providing integrated services to BUCG, its subsidiaries and/or associates and the expenditure to be incurred by us for provision of integrated services by BUCG, its subsidiaries and/or associates:

	Proposed Annual Caps		
	2014	**2015**	**2016**
	(RMB million)	**(RMB million)**	**(RMB million)**
Revenue			
Revenue to be generated by us from providing services to BUCG, its subsidiaries and/or associates	25.00	30.00	36.00
Expenditure			
Expenditure to be incurred by us for provision of services by BUCG, its subsidiaries and/or associates	140.00	164.00	193.00

Annual caps

Revenue

Taking into account:

(i) the actual circumstances regarding the contracts entered into between us and BUCG, its subsidiaries and/or associates during the Track Record Period and the expected increase in our business activities in the design, survey and consultancy segment, as shown by a steady increase in revenue derived from such segment during the Track Record Period;

(ii) that we have expanded our design, survey and consultancy business into industrial and civil construction and municipal engineering projects that are related to urban rail transit, with such projects having contributed to more than 25% of revenue of design, survey and consultancy segment for each financial year/period of the Track Record Period, and as BUCG is no longer qualified to engage in urban rail transit related engineering business following the Reorganisation and it is a major client of EPC contracting business related to property construction and municipal engineering of public utilities and public roads in Beijing, there will be an increase in BUCG's demand for our services; and

(iii) we experienced an approximately 20% growth in our revenue for the design, survey and consultancy segment for the year ended 31 December 2013. We expect our revenue from BUCG, its subsidiaries and/or associates will increase by approximately 20% on an annual basis, considering the historical fluctuations in the revenue in our provision of services to BUCG, its subsidiaries and/or associates, and the expected increase in BUCG's demand for our services related to property construction and municipal engineering as mentioned above,

the Directors are of the view that our revenue to be generated from BUCG, its subsidiaries and/or associates in the next three years will steadily increase.

Expenditure

Taking into account:

(i) the actual circumstances regarding the existing contracts, in particular for the construction contracting segment, entered into between us and BUCG, its subsidiaries and/or associates during the Track Record Period;

(ii) that CCID Consulting estimated that investment in urban rail transit by the PRC government in the next three years will continually increase, from RMB294.3 billion in 2014 to RMB411.3 billion in 2016, representing an average growth of 20% on an annual basis, which will provide more business opportunities for us and thereby our demand for integrated services from BUCG and its subsidiaries and associates is expected to increase by approximately 17.5% on an annual basis, considering the expected increase in the PRC government's investment in urban rail transit and the historical fluctuations in this category of transactions with BUCG, its subsidiaries and/or associates;

(iii) that the integration of design, survey and consultancy business and construction contracting business enables us to provide comprehensive business solutions covering all major stages in the value chain of the urban rail transit engineering, which may provide us with earlier access to market information regarding potential business opportunities, thereby enhancing our chances of winning bids; and

(iv) that as we need subcontractors to perform certain specialised parts of projects, such as waterproof or dewatering construction work, for which we do not have the relevant qualifications, our demand for subcontracting services from BUCG and its subsidiaries or associates as subcontractors is likely to increase in correlation with the expected increase in our business activities,

the Directors are of the view that our expenditure to be incurred by us for provision of services by BUCG, its subsidiaries and/or associates in the next three years will steadily increase.

IMPLICATIONS UNDER THE HONG KONG LISTING RULES

The leasing of properties and land described in the sub-section "Non-exempt Continuing Connected Transactions" above will constitute non-exempt continuing connected transactions of our Company under the Hong Kong Listing Rules upon the H Share Listing. Pursuant to the Hong Kong Listing Rules, the relevant percentage ratio for the above continuing connected transactions is less than 5% but more than 0.1% on an annual basis. Accordingly, the continuing connected transactions contemplated under the Property and Land Leasing Framework Agreement are exempt from independent shareholders' approval but are still subject to the announcement and reporting requirements under the Hong Kong Listing Rules.

The mutual provision of integrated services described in the sub-section "Non-exempt Continuing Connected Transactions" above will constitute non-exempt continuing connected transactions of our Company under the Hong Kong Listing Rules. As the relevant percentage ratio is more than 5%, accordingly, the above continuing connected transactions are subject to the announcement, reporting and independent shareholders' approval requirements under the Hong Kong Listing Rules.

Our Directors (including the independent non-executive Directors) are of the view that upon the H Share Listing, the entering into of such continuing connected transactions as described above with BUCG, its subsidiaries or associates is in the interest of our Company; all such continuing connected transactions have been entered into or will be carried out in the ordinary and usual course of our business and on normal or on better than normal commercial terms that are fair and reasonable and in the interest of our Company and our Shareholders as a whole; and that the proposed annual caps of such continuing connected transactions above are fair and reasonable and in the interest of our Company and our Shareholders as a whole.

Accordingly, we have applied to the Hong Kong Stock Exchange for (i) a waiver from strict compliance with the announcement requirement under the Hong Kong Listing Rules in respect of the transactions contemplated under the Property and Land Leasing Framework Agreement; and (ii) a waiver from strict compliance with the announcement and independent shareholders' approval requirements under the Hong Kong Listing Rules in respect of the transactions contemplated under the Integrated Services Framework Agreement.

Nonetheless, we are still subject to the reporting requirements pursuant to Rule 14A.45 and Rule 14A.46 of the Hong Kong Listing Rules (or the new Rules 14A.49 and 14A.71 of the Hong Kong Listing Rules which will come into effect on 1 July 2014) and shall make disclosure on the details of the continuing connected transactions described above regarding leasing of the properties and land and the mutual provision of integrated services in the annual reports for three financial years ending 31 December 2016. Upon expiry of the waiver on 31 December 2016, we shall re-comply with the applicable requirements in Chapter 14A of the Hong Kong Listing Rules as amended from time to time.

Confirmation from the Joint Sponsors

The Joint Sponsors are of the view that our continuing connected transactions described in the sub-section "Non-exempt Continuing Connected Transactions" have been entered into or will be carried out in the ordinary and usual course of our business and on normal or on better than normal commercial terms that are fair and reasonable and in the interest of the Company and the Shareholders as a whole; and that the proposed annual caps of such continuing connected transactions above are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

The following tables set forth the information regarding our Directors, Supervisors and senior management. Our Directors, Supervisors and senior management all meet the qualification requirements under the relevant PRC laws and regulations and the Hong Kong Listing Rules for their respective positions.

Directors

Name	Age	Time of joining our Company	Current Position/title	Major duties and responsibilities	Date of appointment for the current term
Wang Liping (王麗萍) (formerly known as Wang Liping (王立平))	55	November 2002	Chairman and Non-executive Director	Responsible for the overall management of our Company, including formulating our Company's business, operation and corporate governance strategies and making important decisions in relation thereto; participating in the meetings of the Nomination Committee of our Company	28 October 2013
Xu Jianyun (徐賤雲)	49	October 2013	Non-executive Director	Performing his duties as a Director through the Board	28 October 2013
Chen Daihua (陳代華)	51	October 2013	Non-executive Director	Same as the above	28 October 2013
Hao Weiya (郝偉亞)	44	October 2013	Non-executive Director	Performing his duties as a Director through the Board; participating in the meetings of the Audit Committee of our Company	28 October 2013
Su Bin (蘇斌)	48	October 2013	Non-executive Director	Performing his duties as a Director through the Board; participating in the meetings of the Remuneration Committee of our Company	28 October 2013
Kong Lingbin (孔令斌)	50	October 2013	Non-executive Director	Performing his duties as a Director through the Board	28 October 2013
Wang Hanjun (王漢軍)	50	May 2011	Executive Director, general manager and deputy party secretary	Responsible for the overall daily management of our Company, including participating in formulating and implementing our Company's business, operation and corporate governance strategies and making important decisions in relation thereto	28 October 2013
Li Guoqing (李國慶)	47	July 1990	Executive Director, deputy general manager and party secretary	Responsible for participating in formulating and implementing our Company's business, operation and corporate governance strategies and the overall daily management of our Company	28 October 2013

Name	Age	Time of joining our Company	Current Position/title	Major duties and responsibilities	Date of appointment for the current term
Zhang Fengchao (張鳳朝)	67	December 2013	Independent non-executive Director	Providing independent advice to the Board; participating in the meetings of the Nomination Committee of our Company	16 December 2013
Yim Fung (閻峰)	50	December 2013	Independent non-executive Director	Providing independent advice to the Board; participating in the meetings of the Remuneration Committee of our Company	16 December 2013
Sun Maozhu (孫茂竹)	55	December 2013	Independent non-executive Director	Providing independent advice to the Board; participating in the meetings of the Audit Committee and the Remuneration Committee of our Company	16 December 2013
Liang Qinghuai (梁青槐)	46	December 2013	Independent non-executive Director	Providing independent advice to the Board; participating in the meetings of the Audit Committee and the Nomination Committee of our Company	16 December 2013

Supervisors

Name	Age	Time of joining our Company	Current Position/title	Major duties and responsibilities	Date of appointment for the current term
Yao Guanghong (姚廣紅)	57	October 2013	Chairman of the Supervisory Committee	Presiding the supervisory work; responsible for supervising the Board and the senior management of our Company	28 October 2013
Nie Kun (聶菎)	43	October 2013	Supervisor	Responsible for supervising the Board and the senior management of our Company	28 October 2013
Li Wenhong (李文鴻)	39	October 2013	Supervisor	Same as the above	28 October 2013
Chen Rui (陳瑞)	40	October 2013	Supervisor	Same as the above	28 October 2013
Ren Chong (任崇)	38	October 2013	Supervisor	Same as the above	28 October 2013
Mi Jianzhou (彌建洲)	46	March 2012	Employee representative Supervisor	Same as the above	28 October 2013

Name	Age	Time of joining our Company	Current Position/title	Major duties and responsibilities	Date of appointment for the current term
Zhang Wei (張巍)	44	August 1993	Employee representative Supervisor	Same as the above	28 October 2013
Wang Jingang (王金剛)	42	December 2012	Employee representative Supervisor	Same as the above	28 October 2013
Wang Wenjiang (王文江)	40	March 1998	Employee representative Supervisor	Same as the above	18 March 2014
Zhang Junming (張俊明)	67	March 2014	Independent Supervisor	Same as the above	18 March 2014
Zuo Chuanchang (左傳長)	48	March 2014	Independent Supervisor	Same as the above	18 March 2014

Senior Management

Name	Age	Date of joining the Company	Current Position/ title	Major duties and responsibilities	Date of appointment
Wang Hanjun (王漢軍)	50	May 2011	General manager	Fully Responsible for the daily management of our Company, including participating in formulating and implementing our Company's overall business, operation and corporate governance strategies and making important decisions in relation thereto	28 October 2013
Li Guoqing (李國慶)	47	July 1990	Deputy general manager	Responsible for participating in formulating and implementing our Company's business, operation and corporate governance strategies and the overall daily management of our Company	16 December 2013
Cheng Yan (成硯)	39	January 2009	Deputy general manager	Responsible for our Company's day-to-day management of the design business of underground spaces	16 December 2013

Name	Age	Date of joining the Company	Current Position/ title	Major duties and responsibilities	Date of appointment
Liao Guocai (廖國才)	51	January 1990	Deputy general manager	Responsible for our Company's day-to-day management of the design business of rail transit	16 December 2013
Jin Huai (金淮)	49	May 2003	Deputy general manager	Responsible for our Company's day-to-day management of the engineering survey business	16 December 2013
Wang Liang (王良)	48	December 2012	Deputy general manager	Responsible for our Company's construction contracting business	16 December 2013
Xu Xiaodong (徐曉冬)	50	July 1986	Deputy general manager	Responsible for our Company's day-to-day management of the municipal engineering business	16 December 2013
Wan Xuehong (萬學紅)	54	November 1993	Deputy general manager	Responsible for our Company's day-to-day management of the design business of rail transit	16 December 2013
Yang Xiuren (楊秀仁)	49	January 1992	Chief engineer	Responsible for the overall technical and quality control work of our Company	16 December 2013
Li Siguo (李四國)	54	October 2002	Chief accountant	Responsible for the overall financial work of our Company	16 December 2013
Xuan Wenchang (玄文昌)	45	April 2008	Secretary of the board of Directors and a joint company secretary	Responsible for the daily routine of the Secretarial department under the Board of Directors and investor's relation of our Company; responsible for the daily financial work of our Company	16 December 2013

NON-EXECUTIVE DIRECTORS

Ms. Wang Liping (王麗萍) (formerly known as Wang Liping (王立平)), aged 55, is the chairman and non-executive Director of our Company, and is the deputy general manager of BUCG. Ms. Wang served as the Director and Managing Director of Beijing Urban Engineering Design & Research Institute Co, Ltd., our predecessor, from November 2002 to the date of conversion of our Company, during which period she also acted as its acting president from February 2009 to May 2011. She was appointed as the chairman and non-executive Director of our Company on 28 October 2013. Ms. Wang worked at the Enterprise Department of Beijing Urban Construction Engineering Corporation (北京市城市建設工程總公司), the predecessor of BUCG, from September 1986 to October 1992. She served as the chief economist of Beijing Urban Construction Decoration Engineering Corporation Company (北京市城市建設裝飾工程公司) in charge of its economic work from October 1992 to September 1993; the deputy chief economist of Beijing Urban Construction Group Corporation (北京城建集團總公司), the predecessor of BUCG, from September 1993 to July 1994; the chief economist of Beijing Urban Construction Group

Corporation from July 1994 to July 1999; and the chief economist of BUCG, which was principally engaged in construction contracting, real estate development and design and consultancy businesses before its reorganization, from July 1999 to July 2012. She has been acting as the deputy general manager of BUCG since July 2012. Ms. Wang obtained her bachelor's degree in economics majoring in political economy from Nankai University (南開大學) in Tianjin in September 1984 and was awarded a master's degree in economics by Nankai University in September 1986. Ms. Wang was qualified as a senior economist by Beijing Senior Specialised Technique Titles Evaluation Committee (北京市高級專業技術職務評審委員會) in December 1993.

Mr. Xu Jianyun (徐賤雲), aged 49, is a non-executive Director of our Company, and the party secretary and chairman of BUCG. Mr. Xu worked as an engineer from December 1989 to May 1993 and the deputy director from May 1993 to September 1993 at the science research institute under Beijing Urban Construction Engineering Corporation (北京市城市建設工程總公司) and he served as an assistant to the manager and the deputy manager of Beijing Urban Construction Group Corporation (北京城建集團總公司), the predecessor of BUCG, from September 1993 to January 1994 and from January 1994 to July 1999, respectively. He also served in various positions in BUCG, including the deputy general manager from July 1999 to March 2003; a member of the Party Committee, director and deputy general manager from March 2003 to June 2004; the standing member of the Party Committee, director and general manager from June 2004 to August 2006; the deputy party secretary, director and general manager from August 2006 to December 2011; and the party secretary, chairman and general manager from December 2011 to May 2012. He has been acting as the party secretary and chairman of BUCG since May 2012. Mr. Xu was the vice chairman of Beijing Urban Construction Investment Development Co., Ltd. (北京城建投資發展股份有限公司), a company listed on the Shanghai Stock Exchange (Stock Code: 600266.SH) which is primarily engaged in the real estate development, from October 2004 to June 2012 and has been its chairman since June 2012. Mr. Xu studied at the Civil Engineering Department of Tianjin University from September 1979 to July 1983. He obtained his master's degree and doctorate in engineering majoring in architectural structure engineering from Tianjin University in December 1985 and May 1990, respectively. Mr. Xu was qualified as a senior engineer of professor level by Beijing Senior Specialised Technique Titles Evaluation Committee (北京市高級專業技術職務評審委員會) in September 1999.

Mr. Chen Daihua (陳代華), aged 51, is a non-executive Director of our Company, and is the deputy party secretary, director and general manager of BUCG. Mr. Chen worked at Beijing University of Civil Engineering and Architecture (北京建築工程學校) from July 1984 to July 1991 and served as the deputy officer of the basic technique teaching and research section of the university from July 1991 to July 1992; the executive vice director of the intermediate vocational section of Beijing University of Urban Construction Engineering (北京城建工程學校職工中專部) from July 1992 to October 1993; the vice president of the academic department of Beijing University of Civil Engineering and Architecture from October 1993 to June 1995; and the vice principal of Beijing Urban Construction Training Center (北京城建培訓中心) from June 1995 to October 1999. He served as the deputy manager of Beijing Urban No. 3 Construction Engineering Co., Ltd. (北京城建三建設工程有限公司) from October 1999 to August 2000, and as its deputy party secretary, vice chairman and manager from August 2000 to November 2003. Besides, he acted as the party secretary and chairman of Beijing Urban Construction Road and Bridge Engineering Co., Ltd (北京城建道橋工程有限公司) and the manager of Beijing Xincheng Shuncheng Investment Development Co., Ltd. (北京新城順城投資開發有限公司), which is primarily engaged in real estate development, from November 2003 to August 2006; the deputy general manager of BUCG from August 2006 to May 2011; and the standing member of the Party Committee and deputy general manager of BUCG from May 2011 to May 2012. He has been the deputy party secretary, director and general manager of BUCG since May 2012. He acted as a director, the general manager, the party secretary and the vice chairman of the board of Beijing Urban Construction Investment Development Co., Ltd. (北京城建投資發展股份有限公司) (Stock Code: 600266.SH) since June 2006. Mr. Chen was awarded the EMBA degree from Guanghua School of Management of Peking University (北京大學光華管理學院) in July 2009. Mr. Chen was qualified as a senior economist by Beijing Senior Specialised Technique Titles Evaluation Committee (北京市高級專業技術職務評審委員會) in September 2001.

Mr. Hao Weiya (郝偉亞), aged 44, is a non-executive Director of our Company, and a member of the Party Committee and deputy general manager of BII. Mr. Hao worked at the management department of the postgraduate school of University of Science and Technology Beijing and the Beijing Sales Department of Haixin Futures Brokerage Co., Ltd. (海信期貨經紀有限公司) primarily engaged in futures brokerage from August 1992 to January 1994 and from January 1994 to January 1997, respectively. He also served as the project manager of ZTE Trust & Investment Co., Ltd. (中興信託投資有限公司) primarily engaged in trust business from January 1997 to March 2000; the project manager of Beijing Municipality Overseas Finance and Investment Managing Center (北京境外融投資管理中心) from March 2000 to April 2001; the deputy manager of the capital management department of Beijing State-owned Assets Management Co., Ltd. (北京市國有資產經營有限責任公司) from April 2001 to January 2002; and the deputy general manager and subsequently acted as the general manager and chairman of Beijing Integrated Circuit Design Park Co., Ltd. (北京集成電路設計園有限公司), which is primarily engaged in integrated circuit design business, from January 2002 to August 2008. He has been acting as the senior investment manager of the financing department, the manager of the investment management department, the assistant to the general manager, the deputy general manager and a member of the Party Committee of BII since August 2008. Mr. Hao has been a supervisor and a director in Metro Land Corporation Ltd. (京投銀泰股份有限公司), a company listed on Shanghai Stock Exchange (Stock Code: 600683.SH), which is primarily engaged in real estate development and operation, from May 2009 to January 2010 and from January 2010 to June 2011, respectively. Also, he has acted as a director of China City Railway Transportation Technology Holdings Company Limited (中國城市軌道交通科技控股有限公司) (Stock Code: 1522) since August 2013. Mr. Hao obtained his bachelor's degree of engineering majoring in applied chemistry in July 1992 and a master's degree in business administration in June 2001, both from the University of Science and Technology Beijing (北京科技大學). Mr. Hao was qualified as a senior economist by Beijing Senior Specialised Technique Qualification Evaluation Committee (北京市高級專業技術資格評審委員會) in November 2008.

Mr. Su Bin (蘇斌), aged 48, is a non-executive Director of our Company, and the deputy general manager of Rail Transit Company. Mr. Su served at the Ministry of Railways and was in charge of the technical and management work for several years from July 1988. He acted as the chairman and party secretary of the fourth company of China Railway No. 3 Engineering Group Co., Ltd. (中鐵三局集團有限公司) (the "**No. 3 China Railway**") from October 2001 to February 2003; the deputy supervisor and chief engineer of Beijing supervising unit of the No. 3 China Railway from February 2003 to July 2003; and the supervisor of Jijie-Mongolia highway construction and supervising unit of the No. 3 China Railway from June 2003 to December 2003. Mr. Su worked at Rail Transit Company from December 2003 to May 2008 and served as the deputy secretary and general manager of Line 5 project management unit, and the secretary of Line 10 project management unit in Beijing. Mr. Su has been the deputy general manager of Rail Transit Company since May 2008. Mr. Su obtained his bachelor's degree of engineering majoring in railway engineering from Northern Jiaotong University (北方交通大學) in Beijing in July 1988, a master's degree majoring in civil engineering and architecture from Southwest Jiaotong University (西南交通大學) in Chengdu in November 2002 and a doctorate in management science and engineering from Beijing Jiaotong University (北京交通大學) (formerly known as Northern Jiaotong University (北方交通大學)) in January 2011. Mr. Su was qualified as a senior engineer by Beijing Senior Specialised Technique Qualification Evaluation Committee (北京市高級專業技術資格評審委員會) in June 2006.

Mr. Kong Lingbin (孔令斌), aged 50, is a non-executive Director of our Company, and the deputy general manager of Gonglian Company. Mr. Kong worked at various positions in the Bureau of Finance of Fengtai District, Beijing (北京市豐台區財政局) from November 1982 to January 2007, including the officer of the industry and enterprise division, the deputy head of industry and enterprise division, the deputy head and the head of budget division, the deputy head of the bureau, the deputy party secretary, the party secretary and the bureau head (during which he also acted as the head of Fengtai District Land and Resources Bureau (豐台區國資局), the party secretary and the head of Fengtai District Local Taxation Bureau (豐台區地稅局), and the manager of the Fengtai District State-owned Integrated Investment Operation Company (豐台區綜合投資經營公司)). From January 2007 to December 2009, he served as the secretary of the labour party committee and the president of the management party committee of Fengtai Zone, Zhongguancun Science Park in Fengtai District, Beijing. He was the deputy chief officer of Fengtai District Government, Beijing, from December 2009 to January 2012. He attended the fourth session of the training course for leading cadres of county bureau level at Beijing Municipal Communist Party School from February 2012 to January 2013. Further, he has been the deputy general manager of Gonglian Company primarily engaged in the development and maintenance of highway connecting lines and real estate development since January 2013. Mr. Kong graduated from Central College of Finance and Economics (中央財經學院) in Beijing majoring in finance in June 1988; graduated from University of International Business and Economics in Beijing majoring in international trade in June 1998; obtained his bachelor's degree in economics and management from the Correspondence Institute of the Party School of the Central Committee of C.P.C. in December 1996; and finished his postgraduate study in economics and management by China Beijing Municipal Communist Party School in July 2002.

Mr. Kong was the subject of corruption-related rumours anonymously published on the internet in 2013. The anonymous allegations against Mr. Kong mainly included: (i) illegally writing-off a substantial amount of loan by Fengtai District Finance Bureau to a real estate developer; (ii) embezzlement/improper use of government fund/properties; and (iii) corruption, bribery, abuse of power for personal gain.

With respect to these rumours, the Joint Sponsors have performed or attempted to perform the following due diligence steps: (a) obtained details of the rumours by way of questionnaire; (b) reviewed the responses given by Mr. Kong to the questionnaire; (c) conducted interviews with Mr. Kong to ascertain, inter alia, whether the rumours were founded; (d) arranged for Haiwen & Partners, the Company's PRC legal advisers, to conduct public litigation searches against Mr. Kong through **www.chinacourt.org** (中國法院網), **bjgy.chinacourt.org** (北京法院網) and **www.court.gov.cn** (中國裁判文書網), which revealed no record of prosecution; and (e) attempted to arrange interviews with Beijing Disciplinary Commission (中共北京市紀律檢查委員會), Fengtai District Disciplinary Commission (中共北京市豐台區紀律檢察委員會) and Fengtai District Finance Bureau, though each of them declined to discuss the rumours in detail. Based on the results of the limited due diligence steps described above, the Joint Sponsors are of the view that the rumours do not amount to lack of suitability on the part of Mr Kong to be a director of our Company.

EXECUTIVE DIRECTORS

Mr. Wang Hanjun (王漢軍), aged 50, is an executive Director, general manager and deputy party secretary of our Company. He has been the president, deputy party secretary and Director of our Company since May 2011 and was appointed as an executive Director and general manager of our Company on 28 October 2013. Mr. Wang worked for the First Branch Company under Beijing Urban Construction No. 3 Corporation (北京城建三公司), which is primarily engaged in engineering construction, from July 1988 to March 1994. He was the manager of Second Project Department of Beijing Urban Construction Yatai Co. (北京城建亞泰公司) from March 1994 to December 1994, and was the deputy manager of Beijing Urban Construction Yatai Construction and Engineering Co., Limited (北京城建亞泰建設工程有限公司), which is primarily engaged in engineering construction, from December 1994 to November 2003. Between November 2003 and August 2004, he served as a director, deputy chairman, manager and deputy party secretary of Beijing Urban No. 3 Construction Engineering Co., Ltd. (北京城建三建設工程有限公司). He was a director, manager and deputy party secretary of Beijing Urban Construction Investment Development Co., Limited (北京城建投資發展股份有限公司) (Stock Code: 600266.SH) from August 2004 to October 2004, and concurrently acted as its director, manager and deputy party secretary and a director and chairman of Beijing Donghu Real Estate Co. (北京市東湖房地產公司), which is primarily engaged in real estate development from October 2004 to May 2006. He continued to act as a director, manager and deputy party secretary of Beijing Urban Construction Investment Development Co., Limited from May 2006 to October 2007. From October 2007 to December 2007, he held the position of manager of Beijing Urban Construction Xincheng Investment & Development Co., Limited (北京城建新城投資開發有限公司), a subsidiary wholly-owned by BUCG primarily engaged in real estate investment. Then he worked as its manager and director from December 2007 to July 2012. Mr. Wang graduated from Tsinghua University with a bachelor's degree of engineering in water resources and hydropower engineering and construction in July 1988. Mr. Wang was qualified as a senior engineer by Beijing Senior Specialised Technique Titles Evaluation Committee (北京市高級專業技術職務評審委員會) in September 1999 and obtained the qualification of Grade One Constructor from Beijing Human Resources Bureau (北京市人事局) in February 2005.

Mr. Li Guoqing (李國慶), aged 47, is an executive Director, deputy general manager and party secretary of the Company. Mr. Li has been working for our Company since July 1990. He held the position of Youth League secretary (團委書記) of our Company from April 1993 to August 1998 and was the vice president of Metro and General Municipal Institute (地鐵市政院) of our Company from August 1998 to September 1999. He worked as the vice president of our Company from September 1999 to March 2001, and was the party secretary and vice president of our Company from March 2001 to November 2002. He has been the party secretary, vice president and Director of our Company since November 2002, during which he also held the position of general manager in China Metro, which is primarily engaged in engineering consultancy between September 2006 and May 2012. Mr. Li obtained a bachelor's degree in engineering majoring in heating, ventilation and air conditioning from Tsinghua University in July 1990. He obtained a master's degree and a doctor's degree of engineering both majoring in heating, gas, ventilation and air conditioning engineering from Tianjin University in March 2009 and June 2012, respectively. He was qualified as a senior engineer of professor level by Beijing Senior Specialised Technique Qualification Evaluation Committee (北京市高級專業技術資格評審委員會) in December 2005. He obtained his certificate of PRC registered utility engineer (中國註冊公用設備工程師) from the MOHURD in October 2010. Mr. Li has been a representative of the People's Congress of Xicheng District, Beijing, since November 2011.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Zhang Fengchao (張鳳朝), aged 67, is an independent non-executive Director of our Company. From August 1968 to September 1979, Mr. Zhang worked as an exploration worker, the vice secretary of Chinese communist party sub-committee, the vice division head, and the deputy party secretary of the Wangping village coal mine under Beijing Mining Bureau (北京礦務局). From September 1979 to January 1985, he worked at the party school, the education training centre (including the party school) and the organisation division under Beijing Mining Bureau in various positions including the division head, the deputy principal, the general vice director and vice secretary, and the vice organisation head. From January 1985 to November 1998, he acted as the vice party secretary and the secretary (and also twice as the secretary of the disciplinary committee) of Beijing Mining Bureau. From November 1998 to January 2000, he acted as the standing vice secretary for Beijing National Authority Working Committee (北京市國家機關工委). From January 2000 to October 2003, Mr. Zhang served as the secretary for Urban Construction Working Committee of the Beijing Municipal Party Committee (北京市委城建工委) and from October 2003 to November 2007, he served as the secretary and vice director of the Committee of the State-owned Assets Supervision and Administration of the People's Government of Beijing Municipality(北京市人民政府國資委監督管理委員會). From November 2007 to October 2008, he was the executive director for the National Stadium Operation Team of the Beijing Olympic Organisation Committee, and from October 2008 to May 2010, he served as the team-head of the scientific development teaching and guiding team of the Beijing Municipal Party Committee. Mr. Zhang retired in May 2010. Since May 2010, he has been the Chair of Beijing Olympic City Development Foundation (北京奧運城市發展基金會). Since September 2012, he has been the head of the Beijing Sudoku Association (北京市數獨運動協會); since November 2012, he has served as a senior consultant of CITIC Private Equity Funds Management Co., Ltd.; and since December 2013, he has held the office of the vice chairman of the board of Beijing Charity Foundation (北京市慈善基金會). Mr. Zhang graduated as a post-graduate majoring in economics and management from Central Party School of Chinese Communist Party in January 1997. He was qualified as a senior economist by Beijing Senior Specialised Technique Qualification Evaluation Committee (北京市高級專業技術資格評審委員會) in December 2004.

Mr. Yim Fung (閻峰), JP, aged 50, is an independent non-executive Director of our Company. He has over 20 years' experience in the financial industry. From February 1993 to February 1998, Mr. Yim served as the deputy general manager of Shenzhen Hefeng Industrial Development Joint Stock Limited Company (深圳合豐實業發展股份有限公司), a subsidiary of Junan Securities Co., Ltd. (君安證券有限公司). From February 1998 to August 1999, Mr. Yim acted as the general manager for institution client department of Junan Securities Co., Ltd., and from August to November 1999, he was the office director of Guotai Junan Securities Co., Ltd. (Shenzhen Branch). From November 1999 to December 2000, Mr. Yim was the deputy general manager of Guotai Junan (Hong Kong) Limited (國泰君安(香港)有限公司) primarily engaged in financial services. From December 2000 to July 2010, he acted as the executive chief for Guotai Junan Financial Holdings Limited (國泰君安金融控股公司), which is primarily engaged in financial services. From July 2010 to August 2012, he served as the vice chairman of the board and executive chief of Guotai Junan International Holdings Limited (Stock Code: 1788) primarily engaged in financial services. Since August 2012, he has taken up the role as the vice chairman of the board and executive chief of Guotai Junan International Holdings Limited. Mr Yim currently acts as the chairman of the board, executive director and chief executive officer of Guotai Junan International Holdings Limited and is fully in charge of the daily operation of business of Guotai Junan International Holdings Limited. He has been a non-executive director of Shenzhen International Holdings Limited (Stock Code: 0152) since May 2014. Mr Yim obtained his bachelor of engineering in environmental engineering from

Tsinghua University (清華大學) in July 1985 and doctorate of economics from the Graduate School of the Chinese Academy of Social Sciences (中國社會科學院研究生院) in Beijing in August 1990. In March 1994, he was qualified as a senior economist by the Bureau of Science and Technology Cadres, Guangdong Province (廣東省科學技術幹部局). Currently, Mr. Yim is the fourth chairman of the Chinese Securities Association of Hong Kong (香港中資證券業協會) and a committee member of the 10th and 11th Inner Mongolia Autonomous Region of Chinese People's Political Consultative Conference.

Mr. Sun Maozhu (孫茂竹), aged 55, is an independent non-executive Director of our Company. He obtained a bachelor's degree in accounting from Renmin University of China (中國人民大學) in 1984 and further obtained a master's degree in accounting from the same university in 1987. Upon graduation, he stayed to teach at the university. Mr Sun is currently a professor of the Department of Finance in the Business School and a tutor for the doctoral students of Renmin University of China. Mr. Sun received independent directorial training from a program jointly hosted by CSRC and School of Economics & Management Tsinghua University (清華大學經濟管理學院) in June 2002 and serves as an independent director for Beijing Capital Development Co., Ltd. (北京首都開發股份有限公司) (Stock Code: 600376.SH), a company listed on Shanghai Stock Exchange, Luoyang Bearing Science & Technology Co., Ltd. (洛陽軸研科技股份有限公司) (Stock Code: 002046.SZ), a company listed on Shenzhen Stock Exchange and Lanpec Technologies Co., Ltd. (甘肅藍科石化高新裝備股份有限公司) (Stock Code: 601798.SH), a company listed on Shanghai Stock Exchange. He obtained his bachelor's degree of economics majoring in financial accounting from No.1 Branch School of Renmin University of China in July 1984. In July 1987, he obtained his master of economics in accounting from Renmin University of China. Mr Sun became a member of the Chinese Institute of Certified Public Accountants (中國註冊會計師協會) in September 1999.

Mr. Liang Qinghuai (梁青槐), aged 46, is an independent non-executive Director of our Company. From December 1997 to June 2004, Mr. Liang acted as the director for the Research Centre of Automatic Engineering Survey Design of School of Civil Engineering, Beijing Jiaotong University. From January 2002 to August 2006, he served as the deputy director of the research centre on urban rail transit of Beijing Jiaotong University. From May 2003 to February 2007, he was the deputy director of the research centre on transport and environment of the School of Civil Engineering of Beijing Jiaotong University, which has strong resources in scientific research in relation to the transportation industry. Since September 2006, he has been the deputy general director of the research centre on urban rail transit of Beijing Jiaotong University. Mr. Liang obtained a bachelor of science in physics from Shanxi Normal University in July 1989. In August 1992, he obtained a master of science degree in geodynamics and the geotectonic physics studies from the Research Institute of Earthquake of China Earthquake Administration in Wuhan. And in July 1995, Mr. Liang obtained a doctor of engineering degree in civil structural engineering from Dalian University of Technology. In December1997, he completed the post-doctoral scientific research on railways, roads and hydrology in Beijing Jiaotong University. Mr. Liang is currently a professor and tutor for doctoral students in Beijing Jiaotong University, the General Deputy Head of Urban Rail Transit Research Centre, and the vice general secretary of the working committee of Urban Rail Transit Technology of China Civil Engineering Society. In December 2002, Mr. Liang obtained the qualification of Senior Teachers of Higher Education from Beijing Municipal Commission of Education (北京市教育委員會).

Save as disclosed above, none of our Directors has been involved in any of the events described under Rule 13.51(2) (h) to (v) of the Hong Kong Listing Rules and none of our Directors has been a director of other listed entities for the three years immediately preceding the date of this [**REDACTED**].

SUPERVISORS

Mr. Yao Guanghong (姚廣紅), aged 57, is a Supervisor and the chairman of the Supervisory Committee, and a member of the standing Party Committee, secretary of discipline inspection group and director of BUCG. Mr. Yao worked in the Armored Force Institute of Technology (裝甲兵技術學校) from December 1970 to September 1974. He was a mathematics teacher of the Armored Force Institute of Technology (裝甲兵技術學院) from January 1978 to November 1980. He was an advisor of the Dean's Office of the Air Force Engineering College Centre (空軍工程學院教務處) from November 1980 to August 1984; an advisor of the Equipment Department of the Air Command (空軍司令部裝備部) from August 1984 to March 1995; the head of the Operation Cost Payment Centre of the Equipment Department of Air Command (空軍司令部裝備部) from March 1995 to February 1998; a deputy teaching fellow of the Dean's Office of the Air Force Engineering College Training Centre (空軍工程學院教務部) from February 1998 to January 2000; the head and secretary of the Outdoor Training Department of Air Force Engineering University (空軍工程大學工程學院外訓系) from January 2000 to March 2005; the vice general manager of Beijing BeiAo Co., Ltd. (北京北奧有限責任公司) from March 2005 to March 2006; and a secretary of commission of Beijing ZhuZong Group Co., Ltd. (北京住總集團有限責任公司), which is primarily engaged in real estate development, from February 2006 to April 2011. He has been a member of standing Party Committee, a secretary of discipline inspection group and a director of BUCG since April 2011. Since 28 October 2013, Mr. Yao has served as a Supervisor and the chairman of our Supervisory Committee. He has been the chairman of the supervisory board of Beijing Urban Construction Investment & Development Co., Ltd. (北京城建投資發展股份有限公司) (Stock Code: 600266.SH) since June 2011. He studied mathematics at the Mathematics and Mechanics Department in Peking University from October 1974 to January 1978. He studied and completed his undergraduate studies majoring in Air Force Labour Affair and Economic Management in Renmin University of China from September 1993 to July 1995. He graduated from Huazhong University of Science and Technology majoring in administrative management in June 2005. Mr. Yao was qualified as a senior administration engineer by Professional Job Evaluation Committee of Ideology Political Works of Beijing (北京市思想政治工作高級專業職務評審委員會) in November 2011.

Ms. Nie Kun (聶菎), aged 43, is a Supervisor of our Company, and the first chairman of the supervisory board of BUCG. She was engaged in accounting work in the fifth sub-company of the Second Beijing Urban Construction Engineering Company Limited (北京城建二建設工程有限公司) from July 1992 to March 1996. She was the chief officer of the fifth sub-company of the Second Beijing Urban Construction Engineering Company Limited (北京城建二建設工程有限公司) from March 1996 to March 1997. She was a senior staff of the audit department of the Second Beijing Urban Construction Engineering Company Limited (北京城建二建設工程有限公司) from March 1997 to October 1999; a staff of the finance department of BUCG Xinye Company from October 1999 to April 2000; a senior staff of the first unit of the audit department of BUCG from April 2000 to September 2004; a deputy head of the audit and investigation department of BUCG; the head of the finance department of BUCG from May 2011 to February 2012; and the first chairman of the supervisory board of BUCG since February 2012. Since 28 October 2013, Ms. Nie has served as the Supervisor of our Company. She obtained a bachelor of economics degree in investment economic management from the Central Institute of Finance (中央財政金融學院) in June 1992. She obtained a professional accountant certification from the Beijing Municipal Bureau of Finance (北京市財政局) in September 1995, and was recognised as a qualified internal auditor by China Association of Internal Audit (中國內部審計協會) in December 2003. She was qualified as a senior accountant by Beijing Senior Specialised Technique Qualification Evaluation Committee (北京市高級專業技術資格評審委員會) in January 2005. She became a non-practicing member of Chinese Institute of Certified Public Accountants in September 2010.

Mr. Li Wenhong (李文鴻), aged 39, is a Supervisor of our Company, and the deputy general manager of the Fund Investment Department of Beijing State-owned Capital Operation Management Centre (北京國有資本經營管理中心). Mr. Li has served as the vice manager of the fund investment department of Beijing State-owned Capital Operation Management Centre (北京國有資本經營管理中心) since May 2010. Before May 2010, he had served at the Beijing Municipal Commission of Economic Planning and Investment Office (北京市經濟委員會規劃與投資處), and the research office of Beijing Municipal Economic Commission (北京市經濟委員會) and held the position of the chief officer of the business development department of Beijing Sumisho Sagawa Logistics Co., Ltd., which is primarily engaged in logistics business. Since 28 October 2013, Mr. Li has served as a Supervisor of our Company. He obtained a bachelor's degree in international finance from Peking University in July 1999 and a master's degree in economics from Capital University of Economics and Business (首都經濟貿易大學) in December 2006.

Mr. Chen Rui (陳瑞), aged 40, is a Supervisor of our Company, and the executive director of Beijing Jun Lian Capital Management Co., Ltd. (北京君聯資本管理有限公司) and head of its Shenzhen office. Mr. Chen served as an engineer for Shenzhen Lingke Electronic Communication Appliances Co., Ltd (深圳市靈科電訊器材有限公司), which is primarily engaged in development and production of electronic communication appliances, from February 1998 to May 1999. From June 1999 to November 2002, he worked as the engineer, the manager and the vice general manager of the engineering technical department of Shenzhen Linker Industrial Co., Ltd. (深圳菱科實業有限公司), which primarily engages in research, development and production of numbering machines; served as an investment manager, vice investment president, chief supervisor, executive director and head of the Shenzhen office of Beijing Jun Lian Capital Management Co., Ltd. (北京君聯資本管理有限公司), which is primarily engaged in venture capital business, from February 2005 up to now. Since 28 October 2013, Mr. Chen has served as a Supervisor of our Company. He obtained a bachelor of science in electronics and information system from Shanxi University in July 1997. He obtained a MBA degree from Fordham University of America in February 2005.

Mr. Ren Chong (任崇), aged 38, is a Supervisor of our Company, and the vice general manager of Beijing Loyalty Evergreen Investment and Management Co., Ltd. and the appointed representative of Beijing You Neng Shang Zhuo Venture Capital Fund (LLP) (北京優能尚卓創業投資基金(有限合夥)). Mr. Ren started to work in 1996, and he has more than ten years of investment experience. He was a senior investment manager of Zhongguancun Venture Investment Development Company Limited (中關村創業投資發展有限公司), which is primarily engaged in venture capital investment, from March 2008 to June 2009; the project manager of Beijing Industrial Development Investment Management Co., Ltd. (北京工業發展投資管理有限公司), which is primarily engaged investment management, from July 2009 to February 2012; deputy general manager of Beijing Loyalty Evergreen Investment Management Co., Ltd. primarily engaged in investment management business and the appointed representative of Beijing You Neng Shang Zhuo Venture Capital Fund (LLP) (北京優能尚卓創業投資基金(有限合夥)), which primarily engages in investment, investment management and consultancy in the non-securities business, since March 2012. Mr. Ren has served as a Supervisor of our Company since 28 October 2013. He obtained a bachelor of engineering in gold material and processing from Central South University of Technology in June 1996 and a master of management majoring in enterprise management from Nankai University in June 2004.

Ms. Mi Jianzhou (彌建洲), aged 46, is an employee representative Supervisor of our Company, and also deputy secretary of the Party Committee, secretary of the discipline inspection committee and chairman of the trade union of our Company. Ms. Mi was a lecturer of Beijing First Normal School from July 1991 to March 1995; and served as the secretary of the management office, the deputy secretary and secretary of youth league committee, the vice chairman and the chairman of the trade union of Beijing Urban No. 3 Construction Engineering Co., Ltd. (北京城建三建設工程有限公司) from April 1995 to May 2003. She was the vice chairman of the trade union of BUCG from June 2003 to February 2012. Since March 2012, she is serving as a deputy secretary of the Party Committee, secretary of the discipline inspection committee and chairman of the trade union of our Company. Since 28 October 2013, Ms. Mi has served as an employee representative Supervisor of our Company. Ms. Mi obtained a bachelor of laws majoring in political and legal education from Capital Normal University (formerly known as Beijing Normal College) in July 1991. In July 1998, she graduated as a postgraduate majoring in business and economics from the Finance, Economics and Business Department of the Graduate School of Chinese Academy of Social Sciences in Beijing. Ms. Mi was qualified as a senior administration engineer by Professional Job Evaluation Committee of Ideology Political Works of Beijing (北京市思想政治工作高級專業職務評審委員會) in November 2002.

Mr. Zhang Wei (張魏), aged 44, is an employee representative Supervisor of our Company, and the vice president of the rail transit institute of our Company. Mr. Zhang has worked in our Company since August 1993 as the president of the Fifth Design Institute of Beijing Urban Construction Design Institute (北京城建設計總院), the president of its Ningbo sub-institute and the vice president of the Rail Transit Institute. Mr. Zhang participated and organised the edition of "Principle and Application of Urban Rail Transit Power Supply System Design" (《城市軌道交通供電系統設計原理與應用》) and "Subway Traction Power Supply" (《地鐵牽引供電》), which were published by Southwest Jiaotong University Press (西南交通大學出版社) and China Electric Power Press (中國電力出版社), respectively. Since 28 October 2013, Mr. Zhang has served as an employee representative Supervisor of our Company. He obtained a bachelor of engineering from the Department of Automatic Control of Beijing University of Technology in July 1993. He was qualified as a senior administration engineer by Beijing Senior Specialised Technique Qualification Evaluation Committee (北京市高級專業技術資格評審委員會) in December 2003. Mr. Zhang was elected as the 14th NPC member of Xicheng District of Beijing in November 2006.

Mr. Wang Jingang (王金剛), aged 42, is an employee representative Supervisor and the chief accountant of the Construction General Contracting Department of our Company. From July 1995 to March 2002, he worked as cashier, accountant, auditor and officer in charge of individual project finance in Beijing Urban No. 3 Construction Engineering Co., Ltd. (北京城建三建設工程有限公司) (now renamed as Beijing Urban Construction Far Eastern Construction Investment Group Co., Ltd (北京城建遠東建設投資集團有限公司)). He was the person-in-charge of the accounting matters and the head of project finance for the EPC contracting department of BUCG and relevant projects; he also served as the head of finance and the deputy chief accountant of the second general contracting department (renamed as civil engineering general contracting department) of BUCG from March 2002 to October 2012. He participated in the drafting and amendment of "Beijing Urban Construction Group Accounting Methods for Construction Enterprises" (北京城建集團《施工企業會計核算辦法》) in 2005. Mr. Wang acted as the chief accountant of the rail transit EPC contracting department of BUCG in October 2012. In December 2012, the rail transit EPC contracting department of BUCG was restructured and consolidated into our Company (currently known as the construction general contracting department of our Company) and Mr. Wang continues in his original position with us. Since 28 October 2013, Mr. Wang has served as an employee representative Supervisor of our Company. Mr. Wang obtained a bachelor of economics in auditing from Zhengzhou Aviation Industry Management Institute (鄭州航空工業管理學院) in July 1995 and a master of science (business administration specialisation) from New Jersey Institute of Technology in May 2011. He was qualified as a senior accountant by Beijing Senior Specialised Technique Qualification Evaluation Committee (北京市高級專業技術資格評審委員會) in April 2009.

Mr. Wang Wenjiang (王文江), aged 40, is an employee representative Supervisor, the secretary of the Youth League Committee and head of the operating and management department of our Company. Mr Wang has been serving as a deputy head of the operating department, the head of the enterprise and management department, the head of the Ninth Design Institute, the secretary of the Youth League Committee and head of the operating and management department of the Company since March 1998. Mr Wang was awarded a bachelor's degree in industrial and civil architectural engineering by Taiyuan University of Technology in July 1995 and a master's degree in architectural economics and management from Southeast University in April 1998. In December 2002, Mr. Wang was granted a certificate of registered cost engineer from the Standards & Quotas Department of the Ministry of Construction (建設部標準定額司). He was qualified as a senior economist by Beijing Senior Specialised Technique Qualification Evaluation Committee (北京市高級專業技術資格評審委員會) in September 2005.

Mr. Zhang Junming (張俊明), aged 67, is an independent Supervisor of our Company. From October 1969 to December 1981, Mr Zhang served as a deputy instructor, a instructor and a deputy political commissar in Qingdao Marine Police District under the Beihai Naval Fleet (海軍北海艦隊). He took up the role as a cadre for the Cadre Division of Beijing Digital Instrument Industrial Bureau (北京電子儀器表工業局幹部處) from December 1981 to November 1983. From November 1983 to October 1997, he served as a deputy head, the head of the organization department, the deputy secretary of the Party Committee and secretary of the disciplinary committee and a director in Beijing Instrument and Gauge Corporation (北京市儀器儀表總公司). From November 1997 to October 2003, Mr. Zhang acted as a deputy secretary for the Industrial Working Committee of Beijing Municipal Party Committee (北京市委工業工作委員會). He was also the secretary of the Party Committee for Beijing Economic and Management Cadre Institute (北京市經濟管理幹部學院) in 2001. From October 2003 to December 2008, he served concurrently as the deputy director and secretary of the disciplinary committee for the State-owned Assets Supervision and Administration Commission of Beijing Municipality and the secretary of the Party Committee for the Party School of SASAC. From December 2008 to December 2012, he took up the role as a deputy head for the Economics Committee of the Chinese People's Political Consultative Conference in Beijing. Mr. Zhang graduated from the Party School of the Beijing Municipal Party Committee in July 1998, specializing in ideology and political education and management. In March 1994, he was qualified as a senior administration engineer by Beijing Senior and Professional Job Evaluation Committee for Enterprise Workers Engaging in Ideological and Political Matters (北京市企業思想政治工作人員高級專業職務評審委員會).

Mr. Zuo Chuanchang (左傳長), aged 48, is an independent Supervisor of our Company. Mr. Zuo worked on project management and science and research editing in China Construction Bank in Tianjin from July 1988 to December 1993. From January 1994 to August 1995, he conducted science and research editing in Shenzhen Stock Exchange. He served as a researcher for Guotai Securities Company Limited from June 1998 to September 1999. From December 2001 to March 2005, he took up the role as a deputy researcher for Academy of Economic Research of the National Development Planning Commission (國家發展計劃委員會) (now known as the NDRC). He was a deputy head and subsequently the head for the information centre of the Macro-economic Research Institute of the NDRC (國家發展和改革委員會宏觀經濟研究院信息中心) from March 2005 to September 2011. He has been serving as a deputy researcher for the Economic Research Institute of the NDRC since October 2011. Mr. Zuo was awarded a bachelor's degree in engineering from Tsinghua University in July 1988, specializing in water conservancy and hydropower engineering construction. He was awarded a doctorate degree in economics by the Postgraduate School of Chinese Academy of Social Sciences in June 1998, specializing in investment economics and completed the post-doctoral science and research tasks in theoretical economics in Chinese Academy of Social Sciences in August 2002.

Save as disclosed above, none of our Supervisors has been involved in any of the events described under Rule 13.51(2) (h) to (v) of the Hong Kong Listing Rules and none of our Supervisors has been a director of other listed entities for the three years immediately preceding the date of this [**REDACTED**].

SENIOR MANAGEMENT

For the biographical details of Mr. Wang Hanjun, please refer to "— Executive Directors" above.

For the biographical details of Mr. Li Guoqing, please refer to "— Executive Directors" above.

Ms. Cheng Yan (成硯), aged 39, is a deputy general manager of our Company and currently is also an assistant to the general manager of BUCG. Ms. Cheng was the project manager of the Planning and Design Division of Engineering Department of the Organizing Committee for the Beijing Olympic Games ("**BOCOG**") from July 2002 to March 2005; the deputy head of the Competition Venue Division of Venue Management and Preparation Team of BOCOG from March 2005 to September 2005; the deputy head and head of No. 1 Competition Venue Division of Venue Management Department of BOCOG from September 2005 to December 2008 (during which period, she also acted as the secretary general and deputy officer of the Operations Team of the National Stadium of BOCOG from August 2006 to December 2008); an assistant to the general manager of BUCG from January 2009; and a vice president of our Company from January 2009 to December 2013. Ms. Cheng has acted as a deputy general manager of the Company since 16 December 2013. Ms. Cheng obtained a bachelor's degree in architecture at Tsinghua University in July 1997. She was a doctoral candidate jointly educated by School of Architecture of Tsinghua University and School of Design of Harvard University from September 2000 to May 2001, and obtained a doctor's degree in architectural design and theory from Tsinghua University in July 2002. Ms. Cheng was qualified as a senior engineer by Beijing Senior Specialised Technique Qualification Evaluation Committee (北京市高級專業技術資格評審委員會) in August 2010.

Mr. Liao Guocai (廖國才), aged 51, is a deputy general manager of our Company and currently is also an assistant to the general manager of BUCG. Mr. Liao acted as a cadre and assistant engineer of the 3rd Office of China Railway 17th Bureau from March 1985 to December 1989. He has held various positions in our Company since January 1990, including the head and general superintendent of the subway engineering design and network planning; the vice president of the Qingdao branch institute, the deputy director and secretary of the Subway and Light Rail Research Institute, the head and secretary of the Party Committee of Rail Transit Design Research Institute as well as the vice president of our Company (appointed since April 2004). He has carried the title as an assistant to the general manager of BUCG from May 2011. Since 16 December 2013, Mr Liao has served as a deputy general manager of our Company. Mr. Liao graduated from Northern Jiaotong University and obtained a junior college certificate majoring in industrial and civil architecture in July 1987. He graduated from Correspondence School of Central Party School of the Communist Party of China with an undergraduate level majoring in economic management in December 2001. He obtained an MBA from Universidade Aberta Internacional da Ásia (Macau) in October 2003 and an EMBA from Executive Master of Business Administration of Guanghua School of Management of Peking University in July 2009. Mr. Liao was qualified as a senior engineer by Beijing Senior Specialised Technique Titles Evaluation Committee (北京市高級專業技術職務評審委員會) in August 2001 and was qualified as a senior engineer of professor level by Beijing Senior Specialised Technique Qualification Evaluation Committee (北京市高級專業技術資格評審委員會) in May 2012. Mr. Liao was elected as a Young-to-Middle-Aged Professional of the first session of Urban Rail Transit of China Public Transportation Association in October 2002.

Mr. Jin Huai (金淮), aged 49, is a deputy general manager of our Company, and the secretary of the Party Committee and chairman of the board of Beijing Urban Construction Exploration & Surveying Design Research Institute. Mr. Jin served as an engineer and the assistant team leader of the geological team of the exploration section of Beijing Urban Engineering Design Institute (北京市城建設計院) from August 1988 to April 1992; the manager of the technical office, the assistant to the president and the chief engineer of Beijing Urban Construction Exploration & Surveying Institute from May 1992 to November 2000; the chief engineer of Beijing Urban Construction Exploration & Surveying Design Research Institute Co., Ltd. (北京城建勘測設計院有限責任公司) from December 2000 to May 2003; the director and president of Beijing Urban Construction Exploration & Surveying Design Research Institute Co., Ltd. from May 2003 to February 2006; the chairman of the board of Beijing Urban Construction Exploration & Surveying Design Research Institute Co., Ltd. since March 2005; and the deputy president of the Company from May 2003 to December 2013. Since 16 December 2013, Mr Jin has been serving as a deputy general manager of the Company. Mr. Jin obtained a bachelor's degree of engineering in engineering geology and hydrogeology from East China Technical University of Water Resources Engineering (華東水利學院) in July 1985.Mr. Jin obtained a master's degree of science in hydrogeology and engineering geology from Institute of Geology of Chinese Academy of Sciences in August 1988. Mr. Jin was qualified as a senior engineer of professor level by Beijing Senior Specialised Technique Titles Evaluation Committee (北京市高級專業技術職務評審委員會) in September 2001.

Mr. Wang Liang (王良), aged 48, is a deputy general manager of our Company. Mr. Wang acted as an assistant engineer, an engineer, the deputy director, the director, the vice president and the president of the Ministry of Railways Design Institute from July 1986 to March 2000. He also acted as the manager of the Shield Project Management Department of Shield Basis Branch and the assistant branch manager of BUCG from March 2000 to March 2004; the deputy chief engineer and the assistant manager of the EPC Contracting department of BUCG from March 2004 to June 2006; the deputy manager of general contracting of Civil Engineering of BUCG from July 2006 to October 2012; and the manager and deputy secretary of the Party Committee of the rail transit construction general contracting department of BUCG in October 2012. In December 2012, the Rail Transit EPC Contracting Department of BUCG was restructured and consolidated into our Company, and Mr. Wang remained in the same position. Since 16 December 2013, Mr Wang has been serving as a deputy general manager of our Company. Mr. Wang obtained a bachelor's degree of engineering majoring in tunnel and subway from Southwest Jiaotong University in July 1986 and an MBA degree from Xi'an Jiaotong University in December 2003. Mr. Wang was awarded the first class constructor certificate from the Ministry of Construction of the PRC in September 2007 and was qualified as a senior engineer of professor-level as approved by Beijing Senior Specialised Technique Qualification Evaluation Committee (北京市高級專業技術資格評審委員會) in May 2008.

Mr. Xu Xiaodong (徐曉冬), aged 50, is a deputy general manager of our Company. Since July 1986, Mr Xu has acted as the deputy director of the Computing Centre, the assistant to president and the deputy president of our Company (from February 2000 to June 2001 he was the head of the Enterprise Department of BUCG, and from July 2001 to September 2004 the head of the Economics Research Centre and the manager of the Office of Information Enforcement of BUCG). He has been a deputy president for our Company from September 2004 to December 2013. Since 16 December 2013, Mr Xu has been serving as a deputy general manager of the Company. Mr Xu obtained a bachelor's degree of Engineering in structural construction engineering from Beijing University of Technology in July 1986, and a master's degree in business administration from the Beijing University of Aeronautics and Astronautics in March 2005. Mr Xu was qualified as a senior engineer by Beijing Senior Specialised Technique Titles Evaluation Committee (北京市高級專業技術職務評審委員會) in December 1996.

Mr. Wan Xuehong (萬學紅), aged 54, is a deputy general manager of our Company and the president of Beijing Railway Engineering Design and Research Institute. Mr Wan acted as an assistant engineer, an engineer and the officer of the technique department for the No.2 Engineering Company of Beijing Railway Engineering Corporation under Beijing Railway Bureau from July 1982 to June 1992; the general superintendent of the scientific research projects of the Beijing Academy of Science and Technology of Beijing Railway Bureau from June 1992 to November 1993; and he has held the positions of the project manager, the department head, the deputy chief engineer, the deputy president and the assistant to president of Urban Engineering Design & Research Institute and the general manager and the vice president of the Huazhong Branch Institute since November 1993 (since July 2012, he has been the president for Beijing Rail Transit Design and Research Institute as well as the vice president of our Company). Since 16 December 2013, Mr Wan has been serving as a deputy general manager of our Company. Mr Wan obtained a bachelor's degree of engineering in railway construction from Changsha Railway University in July 1982. In June 2006, he was qualified as a senior engineer of professor-level by Beijing Senior Specialised Technique Qualification Evaluation Committee (北京市高級專業技術資格評審委員會).

Mr. Yang Xiuren (楊秀仁), aged 49, is the Chief Engineer of our Company. Mr Yang has been an assistant engineer of the Bridge and Tunnel Department of No.3 Survey Institute (第三勘察設計院橋隧處) under the Ministry of Railway from July 1986 to December 1991; an engineer and the chief engineer for the Fourth Design Studio of Beijing Urban Construction Design and Research Institute from January 1992 to January 1996; the head of the Technical Department, the deputy chief engineer and the deputy president and chief engineer from January 1996 to May 2003; and has been the Chief Engineer of our Company since May 2003. Mr Yang obtained a bachelor's degree of engineering in tunnel and underground railway from Southwest Jiaotong University. In December 2003, he was qualified as a senior engineer of professor-level as approved by Beijing Senior Specialised Technique Qualification Evaluation Committee (北京市高級專業技術資格評審委員會).

Mr. Li Siguo (李四國), aged 54, is the Chief Accountant of our Company. Mr Li was a clerk in No. 9 Sub-team of Infrastructural Engineering Brigade (基建工程兵第九支隊) (and studied in an army school) from January 1979 to May 1983; an accountant of the Administrative Department in Beijing Urban Construction Group Corporation from June 1983 to April 1988; the finance chief of the Beijing Urban Construction Quality Supervision Station No.3 Station from May 1988 to December 1992; the chief accountant in the Finance Department of BUCG from January 1993 to September 2002; and has acted as the Chief Accountant of our Company since October 2002. Mr Li graduated from the CPC Beijing Party School majoring in economics and management in July 2005, and completed the postgraduate study in enterprise management from the Capital University of Economics and Business in January 2001. In December 2000, he was qualified as a senior accountant by Beijing Senior Specialised Technique Titles Evaluation Committee (北京市高級專業技術職務評審委員會).

Mr. Xuan Wenchang (玄文昌), aged 45, is the secretary of the Board and a joint company secretary of our Company. Mr Xuan worked with the 4th department of the No. 3 China Railway from July 1990 to December 1992; acted as the project financial manager for the Second Beijing Urban Construction Engineering Company Limited (北京城建二建設工程有限公司) from December 1992 to September 2000; acted as a manager under the Finance Department of Beiyuan Hotel of BUCG from September 2000 to September 2006; worked at Beijing Urban Construction Investment Management Company from September 2006 to April 2008 (acted as the chief financial officer for Beijing Haiya Jinyuan Environmental Co., Ltd. from September 2006 to February 2008); acted as the deputy chief accountant of our Company from June 2008 up to now; and acted as the head of the Listing Preparation Office of our Company from August 2011 up to now. Mr Xuan graduated in Finance and Accounting from Shanghai Railway Institute in July 1990. In June 2011, he completed his undergraduate studies in Project Management from Northeastern University with a pass in the advanced education self-study examination. In February 2007, he was qualified as a senior accountant as approved by Beijing Senior Specialised Technique Qualification Evaluation Committee and became a certified management accountant of the Institute of Certified Management Accountants in the U.S. in June 2013.

Save as disclosed above, none of our senior management has been involved in any of the events described under Rule 13.51(2) (h) to (v) of the Hong Kong Listing Rules and none of our senior management has been a director of other listed entities for the three years immediately preceding the date of this [**REDACTED**].

JOINT COMPANY SECRETARIES

Mr. Xuan Wenchang (玄文昌) was appointed as a joint company secretary of our Company on 16 December 2013. He is also the secretary of the Board of our Company. Please refer to "— Senior Management" above for the biography of Mr. Xuan.

Ms. Kwong Yin Ping (鄺燕萍), aged 58, was appointed as a joint company secretary of our Company on 16 December 2013. Ms. Kwong obtained the Higher Diploma in Company Secretaryship and Administration from Hong Kong Polytechnic in November 1979 and a bachelor's degree of arts in accountancy from Hong Kong Polytechnic University in November 1997. Ms. Kwong is the vice president for a professional corporate services company which is committed to offering secretarial and compliance services for listed companies. She is a fellow member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators of the United Kingdom. Ms. Kwong has extensive experience in providing corporate secretarial services for numerous private and listed companies. She is currently the company secretary or joint company secretary of several companies listed on the Hong Kong Stock Exchange.

BOARD

Our Board consists of twelve Directors, comprising two executive Directors, six non-executive Directors and four independent non-executive Directors. Our Directors are elected at a general meeting of the Shareholders of our Company for a term of three years, which is renewable upon re-election and re-appointment.

In accordance with the Articles of Association, the functions and responsibilities of the Board include, among other:

1. to convene Shareholders' general meetings and to report its work to the Shareholders' general meetings;

2. to implement the resolutions of Shareholders' general meetings;

3. to make decisions on our Company's business operating plans, investment plans, material assets disposal and reorganisation plans;

4. to formulate our Company's proposed annual financial budget and final accounts;

5. to formulate our Company's profit distribution plans and plans for recovery of losses; and

6. to exercise other powers conferred by the laws, regulations, the Hong Kong Listing Rules and the Shareholders' general meeting and the Articles of Association.

BOARD COMMITTEES

The Board delegates certain responsibilities to various committees. In accordance with the relevant PRC laws and regulations and the Corporate Governance Code set out in Appendix 14 to the Hong Kong Listing Rules, our Company has formed three Board committees, namely the Audit Committee, the Nomination Committee and the Remuneration Committee.

Audit Committee

We have established the Audit Committee with written terms of reference pursuant to Rule 3.22 of the Hong Kong Listing Rules and paragraph C3 of the Corporate Governance Code set out in Appendix 14 to the Hong Kong Listing Rules. The Audit Committee consists of three members, including one non-executive Director, namely Mr. Hao Weiya and two independent non-executive Directors, namely Mr. Sun Maozhu and Mr. Liang Qinghuai. Mr. Sun Maozhu currently serves as the chairman of the Audit Committee.

The primary duties of the Audit Committee include, but are not limited to, the following:

1. proposing to engage or change external auditors and approve the remuneration and engagement terms of the external auditors;

2. monitoring the independence and objectivity of the external auditors as well as the effectiveness of the auditing procedures in accordance with applicable criteria;

3. supervising the company's internal auditing system and its implementation, responsible for the communications between internal and external auditors;

4. examining the company's financial information and its disclosures, reviewing the company's accounting affairs and policies; and

5. reviewing the internal control of the company and evaluating if the arrangement of allowing its employees to report on the violations in aspects of the financial report, internal control or others or lodging complaints is comprehensive.

Nomination Committee

We have established the Nomination Committee with written terms of reference pursuant to paragraph A5 of the Corporate Governance Code set out in Appendix 14 to the Hong Kong Listing Rules. The Nomination Committee consists of three members, including one non-executive Director, namely

Ms. Wang Liping and two independent non-executive Directors, namely Mr. Zhang Fengchao and Mr. Liang Qinghuai. Mr. Zhang Fengchao currently serves as the chairman of the Nomination Committee.

The primary duties of the Nomination Committee include, but are not limited to, the following:

- reviewing the number and composition of the Board at least each year, and recommending to the Board on any proposed changes;
- finding and reviewing the candidates of the directors and senior management personnel, advising the Board on the appointment, re-appointment and succession of the directors and senior management personnel; and
- studying on the selection criteria and procedures of the directors and senior management personnel and recommending to the board of directors.

Remuneration Committee

We have established the Remuneration Committee with written terms of reference pursuant to paragraph B1 of the Corporate Governance Code set out in Appendix 14 to the Hong Kong Listing Rules. The Remuneration Committee consists of three members, including one non-executive Director, namely Mr. Su Bin and two independent non-executive Directors, namely Mr. Yim Fung and Mr. Sun Maozhu. Mr. Yim Fung currently serves as the chairman of the Remuneration Committee.

The primary duties of the Remuneration Committee include, but are not limited to, the following:

- formulating the overall remuneration plan or schemes and individual remuneration package of the directors and senior management personnel, and giving advice to the Board;
- examining the performance of duties of the non-independent directors and senior management personnel and conducting annual appraisal on their performance; and
- supervising the implementation of the remuneration mechanism of the company.

SUPERVISORY COMMITTEE

Supervisory Committee consists of eleven members, four of which are representatives elected by the employees of our Company, two of which are independent Supervisors and others are elected by the general meeting of Shareholders of our Company. Pursuant to the Articles of Association, the term of a Supervisor shall be three years. A Supervisor may serve consecutive terms if re-elected or re-appointed.

Pursuant to the Articles of Association, duties and responsibilities of the Supervisory Committee include, among others:

- to supervise the performance of the Directors and senior management and to propose the removal of Directors and senior management who have violated any law, administrative regulations, the bye-laws or Shareholders' resolutions;
- to demand remedial actions by any Directors and senior management of our Company who acts in a manner which is harmful to the interest of our Company;

- to inspect financial information to be submitted to the general meeting by the Board such as financial reports, business reports and profit distribution plans and, in case of doubt, to appoint professionals such as registered accountants and certified auditors to assist in re-examination at the expense of our Company; and

- to perform other duties and responsibilities required by the Articles of Association.

COMPENSATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

We offer our Directors, Supervisors and senior management compensation in the form of salaries, bonuses, social security plans, housing provident fund plans and other benefits. Our independent non-executive Directors receive compensation based on their responsibilities.

For the three years ended 31 December 2011, 2012 and 2013, the aggregate amount of salaries, allowances, benefits in kind, bonuses and pension schemes paid by our Company to our Directors and Supervisors were approximately RMB4.53 million, RMB4.44 million and RMB4.15 million respectively.

The remuneration paid by our Company to the top five highest paid individuals (including Directors and Supervisors) for the three years ended 31 December 2011, 2012 and 2013 were approximately RMB4.11 million, RMB4.62 million and RMB4.79 million respectively.

During the Track Record Period, no remuneration was paid by our Company to, or receivable by, our Directors, Supervisors or the five highest paid individuals as an inducement to join or upon joining our Company. No remuneration was paid by our Company to, or receivable by, our Directors, past Directors, Supervisors, past Supervisors or the five highest paid individuals for the loss of office in connection with the management affairs of any subsidiary of our Company during the Track Record Period.

During the Track Record Period, none of our Directors or Supervisors waived any emoluments. Except as disclosed above, no other payments have been paid, or are payable, by our Company or any of our subsidiaries to our Directors, Supervisors, or the five highest paid individuals during the Track Record Period.

We plan to introduce share incentive schemes to incentivise our senior management members and key personnel. On 24 February 2014, our shareholders meeting passed a resolution approving the introduction of the share incentive scheme(s) for senior management and key personnel within two years of the H Share Listing, subject to condition and necessary approvals. As at the Latest Practicable Date, the Company had not adopted any specific share incentive scheme.

COMPLIANCE ADVISER

We have appointed First Shanghai Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Hong Kong Listing Rules. According to Rule 3A.23 of the Hong Kong Listing Rules, the compliance adviser shall advise us on the following circumstances:

(i) before the publication of any regulatory announcement, circular or financial report;

(ii) where a transaction, which might be a notifiable or connected transaction, is contemplated including shares issue and share repurchases;

(iii) where we propose to use the proceeds from the [**REDACTED**] in a manner different from that detailed in this [**REDACTED**] or where our business activities, developments or results deviate from any forecast, estimate, or other information of this [**REDACTED**]; and

(iv) where the Hong Kong Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of our H Shares or other issues set out in Rule 13.10 of the Hong Kong Listing Rules.

First Shanghai Capital Limited shall inform our Company regarding any amendments or additions to the Hong Kong Listing Rules announced by the Hong Kong Stock Exchange as soon as possible pursuant to Rule 19A.06 of the Hong Kong Listing Rules. First Shanghai Capital Limited shall also inform our Company regarding any amendments or additions to applicable laws, regulations or codes.

The term of the appointment of First Shanghai Capital Limited shall commence on the Listing Date and end on the date on which we distribute our annual report in respect of our financial results for the first full financial year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.

EMPLOYEES

As at 31 December 2013, we had 2,610 employees. Our Directors understand the importance of maintaining good relationship with our employees. We therefore maintain relationship with our staff through financial rewards and other human resource strategies. The remuneration paid to our employees includes basic salaries and allowances. We also provide continuous training for our staff to enhance their technical skills as well as their knowledge of industry quality standards. We have not experienced any significant problems with our employees or disruption to our operations due to labour disputes, nor have we experienced any difficulty in the recruitment and retention of experienced staff. For the years ended 31 December 2011, 2012 and 2013, our employee benefit expenses were RMB624.34 million, RMB703.26 million and RMB783.82 million, respectively.

SUBSTANTIAL SHAREHOLDERS

To the best of the knowledge of our Directors, the following person(s) will, immediately after the completion of the [**REDACTED**] (assuming the Over-allotment Option is not exercised), have an interest or short position in the Shares or underlying Shares which are required to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying the rights to vote in all circumstances at the general meetings of the Company:

			Immediately prior to the [REDACTED]		Immediately after the completion of the [REDACTED] (assuming the Over-allotment Option is not exercised)		
Shareholder	**Nature of interest**	**Class**	**Number of Shares held**	**Approximate percentage of shareholding in the total Share capital of the Company**	**Number of Shares held**	**Approximate percentage of shareholding in the relevant class of Shares(1)**	**Approximate percentage of shareholding in the total Share capital of the Company(2)**
BUCG	Beneficial owner	Domestic Shares	598,000,000	65%	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
BII	Beneficial owner	Domestic Shares	92,000,000	10%	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]

Notes:

(1) The calculation is based on the percentage of shareholding in the Domestic Shares after the [**REDACTED**].

(2) The calculation is based on the total number of [**REDACTED**] Shares in issue immediately after the [**REDACTED**].

(3) Following the reduction of its [**REDACTED**] Domestic Shares, which will be converted into H Shares and sold for the benefit of the NSSF by BUCG in accordance with the relevant PRC regulations on reduction of State-owned shares upon completion of the [**REDACTED**], BUCG will hold [**REDACTED**] Domestic Shares.

(4) Following the reduction of its [**REDACTED**] Domestic Shares, which will be converted into H Shares and sold for the benefit of the NSSF by BII in accordance with the relevant PRC regulations on reduction of State-owned shares upon completion of the [**REDACTED**], BII will hold [**REDACTED**] Domestic Shares.

To the best of the knowledge of our Directors, the following person(s) will, assuming the Over-allotment Option is fully exercised, have an interest or short position in the Shares or underlying Shares which are required to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10 or more of the nominal value of any class of share capital carrying the rights to vote in all circumstances at the general meetings of the Company:

			Immediately prior to the [REDACTED]		Immediately after the completion of the [REDACTED] (assuming the Over-allotment Option is fully exercised)		
Shareholder	**Nature of interest**	**Class**	**Number of Shares held**	**Approximate percentage of shareholding in the total Share capital of the Company**	**Number of Shares held**	**Approximate percentage of shareholding in the relevant class of Shares(1)**	**Approximate percentage of shareholding in the total Share capital of the Company(2)**
BUCG	Beneficial owner	Domestic Shares	598,000,000	65	[REDACTED]	[REDACTED]	[REDACTED]
BII	Beneficial owner	Domestic Shares	92,000,000	10	[REDACTED]	[REDACTED]	[REDACTED]

Notes:

(1) The calculation is based on the percentage of shareholding in the Domestic Shares after the [**REDACTED**].

(2) The calculation is based on the total number of [**REDACTED**] Shares in issue immediately after the [**REDACTED**].

(3) Following the reduction of its [**REDACTED**] Domestic Shares, which will be converted into H Shares and sold for the benefit of the NSSF by BUCG in accordance with the relevant PRC regulations on reduction of State-owned shares upon completion of the [**REDACTED**], BUCG will hold [**REDACTED**] Domestic Shares.

(4) Following the reduction of its [**REDACTED**] Domestic Shares, which will be converted into H Shares and sold for the benefit of the NSSF by BII in accordance with the relevant PRC regulations or reduction of State-owned shares upon completion of the [**REDACTED**], BII will hold [**REDACTED**] Domestic Shares.

For persons who are directly and/or indirectly interested in 10 or more of the nominal value of any class of our share capital carrying the rights to vote in all circumstances at the general meetings of any other members of the Company, please refer to "Appendix VI — Statutory and General Information — Further Information about Our Directors, Chief Executive, Supervisors and Substantial Shareholders — Substantial Shareholders" to this [**REDACTED**].

Save as disclosed herein, our Directors are not aware of any other person(s) who will, immediately after the [**REDACTED**], have an interest or short position in the Shares or underlying Shares which are required to be disclosed to our Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10 or more of the nominal value of any class of our share capital carrying the rights to vote in all circumstances at the general meetings of our Company.

As at the Latest Practicable Date, BUCG was our Controlling Shareholder. We are not aware of any arrangement currently in place which may result in any change of control in our Company in the future.

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

This section presents certain information regarding our share capital prior to and immediately following the completion of the [**REDACTED**].

BEFORE THE [REDACTED]

As at the Latest Practicable Date, our share capital was RMB920,000,000 comprising 920,000,000 Domestic Shares and the particulars of our shareholding structure were as follows:

Shareholder	Class	Number of Shares	Approximate percentage of issued share capital
BUCG	Domestic Shares	598,000,000	65%
Other Domestic Shareholders	Domestic Shares	322,000,000	35%
Total	Domestic Shares	920,000,000	100%

UPON COMPLETION OF THE [REDACTED]

Immediately after completion of the [**REDACTED**], assuming that the Over-allotment Option is not exercised, our total issued share capital will be as follows, comprising [**REDACTED**] Domestic Shares and [**REDACTED**] H Shares:

Shareholder	Class	Number of Shares	Approximate percentage of issued share capital
BUCG	Domestic Shares	[**REDACTED**]	[**REDACTED**]
Other Domestic Shareholders	Domestic Shares	[**REDACTED**]	[**REDACTED**]
H Shareholders	H Shares	[**REDACTED**]	[**REDACTED**]
Total		[**REDACTED**]	[**REDACTED**]

Notes:

(1) Following the reduction of its [**REDACTED**] Domestic Shares, which will be converted into H Shares and sold for the benefit of the NSSF by BUCG in accordance with the relevant PRC regulations on reduction of State-owned shares upon completion of the [**REDACTED**], BUCG will hold [**REDACTED**] Domestic Shares.

(2) Such [**REDACTED**] H Shares include of (i) [**REDACTED**] New Shares to be issued pursuant to the [**REDACTED**]; and (ii) [**REDACTED**] Sale Shares to be converted from Domestic Shares and sold for the benefit of the NSSF pursuant to the relevant PRC regulations relating to reduction of State-owned shares.

Immediately after completion of the [**REDACTED**], assuming that the Over-allotment Option is exercised in full, our total issued share capital will be as follows, comprising [**REDACTED**] Domestic Shares and [**REDACTED**] H Shares:

Shareholder	**Class**	**Number of Shares**	**Approximate percentage of issued share capital**
BUCG	Domestic Shares	[**REDACTED**]	[**REDACTED**]
Other Domestic Shareholders	Domestic Shares	[**REDACTED**]	[**REDACTED**]
H Shareholders	H Shares	[**REDACTED**]	[**REDACTED**]
Total		[**REDACTED**]	[**REDACTED**]

Notes:

(1) Following the reduction of its [**REDACTED**] Domestic Shares, which will be converted into H Shares and sold for the benefit of the NSSF by BUCG in accordance with the relevant PRC regulations on reduction of State-owned shares upon completion of the [**REDACTED**], BUCG will hold [**REDACTED**] Domestic Shares.

(2) Such [**REDACTED**] H Shares include (i) [**REDACTED**] New Shares to be issued pursuant to the [**REDACTED**] and [**REDACTED**] additional H Shares to be issued upon the exercise of the Over-allotment Option in full; and (ii) [**REDACTED**] Sale Shares to be converted from Domestic Shares and sold for the benefit of the NSSF and [**REDACTED**] additional H Shares to be converted from Domestic Shares and sold for the benefit of the NSSF upon the exercise of the Over-allotment Option in full, pursuant to the relevant PRC regulations relating to reduction of State-owned shares.

RANKING OF OUR SHARES

The H Shares in issue upon the completion of the [**REDACTED**] and the Domestic Shares are ordinary Shares in the share capital of our Company. However, apart from certain qualified domestic institutional investors in the PRC, H Shares generally cannot be subscribed for or traded by legal or natural persons of the PRC. All dividends in respect of the H Shares and the Domestic Shares are to be paid by us in Hong Kong dollars and RMB, respectively.

In addition, H Shares and Domestic Shares are regarded as different classes of Shares under our Articles of Association. The differences between the two classes of Shares, including provisions on class rights, the despatch of notices and financial reports to Shareholders, dispute resolution, registration of Shares on different registers of Shareholders, the method of Share transfer and the appointment of dividend receiving agents are set out in our Articles of Association and summarised in "Appendix V—Summary of Articles of Association" to this [**REDACTED**]. Further, any change or abrogation of the rights of a class of Shareholders should be approved by way of a special resolution of the general meeting of Shareholders and by a separate meeting of Shareholders of the affected class of Shares. However, the procedures for approval by Shareholders of the affected class of Shares shall not apply (i) where we issue, upon approval by a special resolution of our Shareholders in a general meeting, either separately or concurrently every twelve months, not more than 20% of each of the existing issued H Shares and Domestic Shares; (ii) where our plan to issue H Shares and Domestic Shares on establishment is implemented within fifteen months from the date of approval by the securities regulatory authority under the State Council; or (iii) upon approval by the securities regulatory authority under the State Council, the holders of our Domestic Shares transfer their Shares to overseas investors and list or trade their

Shares in an overseas securities exchange. H Shares and Domestic Shares will however rank pari passu with each other in all other respects and, in particular, will rank equally (save for the currency of payment) for all dividends or distributions declared, paid or made after the date of this [**REDACTED**]. H Shares and Domestic Shares are generally neither interchangeable nor fungible.

GENERAL MEETING AND CLASS MEETING

For details of circumstances under which our shareholders' general meeting and class shareholders' meeting are required, please refer to "Notification and Agenda of General Shareholders' Meetings" and "Special Voting Procedures of Classified Shareholders" under "Appendix V — Summary of the Articles of Association" to this [**REDACTED**].

TRANSFER OF OUR DOMESTIC SHARES FOR LISTING AND TRADING ON THE HONG KONG OVERSEAS STOCK EXCHANGE

Conversion and transfer of our Domestic Shares

Upon completion of the [**REDACTED**], we will have two classes of ordinary Shares, our Domestic Shares and H Shares. All of our Domestic Shares are unlisted shares which are not listed or traded on any stock exchange. According to the stipulations by the State Council's securities regulatory authority and our Articles of Association, our unlisted Domestic Shares may be converted into H Shares, and such converted H Shares may be listed and traded on an overseas stock exchange, provided that prior to the conversion and trading of such converted Shares, any requisite internal approval processes shall have been duly completed and the approval from the relevant PRC regulatory authorities, including the CSRC, shall have been obtained. In addition, such transfer and trading shall in all respects comply with the regulations prescribed by the securities regulatory authorities of the State Council and the regulations, requirements and procedures prescribed by the relevant overseas stock exchange.

If any of our Domestic Shares are to be transferred to overseas investors and to be traded as H Shares on the Hong Kong Stock Exchange, such transfer and conversion require the approval of the relevant PRC regulatory authorities, including the CSRC. The listing of such converted H Shares on the Hong Kong Stock Exchange will also require the approval of the Hong Kong Stock Exchange. Based on the methodology and procedures for the transfer and conversion of our Domestic Shares into H Shares as described in this section, we can apply for the listing of all or any portion of our Domestic Shares on the Hong Kong Stock Exchange as H Shares in advance of any proposed conversion and transfer to ensure that the transfer process can be completed promptly upon notice to the Hong Kong Stock Exchange and delivery of Shares for entry on the H Share register.

No class shareholder voting is required for the conversion, listing and trading of the converted Shares on an overseas stock exchange. Any application for listing of the converted Shares on the Hong Kong Stock Exchange after our initial listing is subject to prior notification by way of announcement to inform Shareholders and the public of any proposed transfer.

Please refer to "Risk Factors — Risks Relating to the Global Offering — Future sales or perceived sales or conversion of substantial amounts of our Shares in the public market could have a material adverse effect on the prevailing market price of our H Shares, and may result in dilution of your interests." in this [**REDACTED**].

Mechanism and procedure for conversion

After all the requisite approvals have been obtained, the following procedures will need to be completed in order to give effect to the conversion: the relevant Domestic Shares will be withdrawn from the Domestic Share register and we will re-register such Shares on our H Share register maintained in Hong Kong and instruct the H Share Registrar to issue H Share certificates. Registration on our H Share register will be on the conditions that (a) our H Share Registrar lodges with the Hong Kong Stock Exchange a letter confirming the proper entry of the relevant H Shares on the H Share register and the due despatch of H Share certificates and (b) the admission of the H Shares to trade on the Hong Kong Stock Exchange will comply with the Hong Kong Listing Rules and the General Rules of CCASS and the CCASS Operational Procedures in force from time to time. Until the transferred Shares are re-registered on our H Share register, such Shares would not be listed as H Shares.

So far as our Directors are aware, none of our Shareholders proposes to convert any of their Domestic Shares into H Shares except for the Domestic Shares of the Selling Shareholders to be converted into H Shares and sold for the benefit of the NSSF in connection with the [**REDACTED**] in accordance with the relevant PRC regulations regarding the transfer of State-owned Shares.

Transfer of Shares issued prior to the [REDACTED]

Pursuant to the Company Law, the Shares issued prior to any public offering of our Shares should not be transferred within a period of one year from the date on which our Shares are publicly offered and listed on the relevant stock exchange. However, the Shares to be transferred by the State-owned Shareholders to the NSSF in accordance with the relevant PRC regulations regarding the transfer of State-owned Shares are not subject to such restrictions.

REDUCTION OF STATE-OWNED SHARES

In accordance with the relevant PRC regulations regarding disposal of State-owned Shares, our Selling Shareholders are required to transfer to the NSSF such number of Domestic Shares, which in aggregate is equivalent to 10% of the number of the New Shares (being [**REDACTED**] H Shares before the exercise of the Over-allotment Option or [**REDACTED**] H Shares after the exercise in full of the Over-allotment Option), or pay the equivalent cash at the [**REDACTED**] under the [**REDACTED**] to NSSF, or a combination of both. At the time of the H Share Listing on the Hong Kong Stock Exchange, such Domestic Shares will be converted into H Shares on a one-for-one basis. Neither our Company nor any of our Selling Shareholders will receive any proceeds from the sale of the Sale Shares for the benefit of the NSSF. The transfer of State-owned Shares by the Selling Shareholders to NSSF was approved by SASAC on 20 December 2013. The conversion of these Domestic Shares into H Shares was approved by the CSRC on 3 June 2014. Pursuant to a letter issued by the NSSF (She Bao Ji Jin Fa [2014] No. 49) on 28 March 2014, the NSSF instructed us to (i) arrange for the sale of the Sale Shares, which represent all of the Domestic Shares that our State-owned Shareholders shall sell for the benefit of the NSSF in connection with the [**REDACTED**] pursuant to the relevant PRC rules; and (ii) remit the proceeds from the sale of the Sale Shares to an account designated by the NSSF. Please refer to "Structure of the [**REDACTED**] — The Selling Shareholders". We have been advised by Haiwen & Partners, our PRC legal advisors that the conversion and sale described above have been approved by the relevant PRC authorities and are legal under PRC law.

PUBLIC FLOAT REQUIREMENTS

Rules 8.08(1)(a) and (b) of the Hong Kong Listing Rules require there to be an open market in the securities for which listing is sought and for a sufficient public float of an issuer's listed securities to be maintained. This normally means that (i) at least 25% of the issuer's total issued share capital must at all times be held by the public; and (ii) where an issuer has one class of securities or more apart from the class of securities for which listing is sought, the total securities of the issuer held by the public on all regulated market(s) (including the Hong Kong Stock Exchange) at the time of listing must be at least 25% of the issuer's total issued share capital. However, in such case, the class of securities for which listing is sought on the Hong Kong Stock Exchange must not be less than 15% of the issuer's total issued share capital and must have an expected market capitalisation at the time of listing of not less than HK$50 million.

Based on the information in the above tables, our Company will meet the public float requirement under the Hong Kong Listing Rules after the completion of the [**REDACTED**] (whether or not the Over-allotment Option is exercised in full). We will make appropriate disclosure of our public float and confirm the sufficiency of our public float in successive annual reports after listing (excluding "core connected persons" from calculation of the "the public" as per the new Rule 8.24 of the Hong Kong Listing Rules which will come into effect on 1 July 2014).

The following discussion should be read in conjunction with our audited consolidated financial statements as at and for the years ended 31 December 2011, 2012 and 2013 together with the accompanying notes, set out in the Accountants' Report in Appendix I to this [**REDACTED**]. *The consolidated financial statements were prepared in accordance with IFRSs.*

The following discussion and analysis contains forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions in light of our experience and perception of historical trends, current conditions and expected future development, as well as other factors that we believe are appropriate under such circumstances. However, actual outcomes and developments are subject to a number of risks and uncertainties and may not meet our expectations and predictions. Please refer to "Risk Factors" and "Forward-looking Statements" in this [**REDACTED**] *for discussions of those risks and uncertainties.*

BUSINESS OVERVIEW

We are a leading design, survey and consultancy company in the PRC urban rail transit industry. We have the longest operating history in the PRC urban rail transit industry, which can be traced back to 1958 when we were founded specifically for the design and survey services of Beijing Subway Line 1, China's first subway line. According to CCID Consulting, as at 31 December 2013, we ranked first in urban rail transit lines general design services in China in terms of the total length in operation, and we also ranked first in terms of total new contract value in the design, survey and consultancy sector in the PRC urban rail transit industry for 2013. We hold integrated class A qualifications in our survey and design businesses, which represent the highest level of qualification in their respective areas in China according to the MOHURD. In addition, we are also engaged in construction contracting, which enables us to provide comprehensive business solutions covering all major stages in the value chain of urban rail transit engineering.

Our operations may be divided into two reportable segments: design, survey and consultancy segment and construction contracting segment.

- ***Design, survey and consultancy segment***

Design, survey and consultancy segment has historically been our core business, which comprises the provision of such services relating to engineering for urban rail transit, industrial and civil construction as well as municipal engineering projects. We obtain new contracts for these services either through competitive tendering processes or by directly entering into agreements with our customers on a negotiation basis. Payments are typically received according to pre-determined work schedules, usually when specified progress milestones are achieved. Within this segment, services provided for urban rail transit construction is the most significant component measured by revenue and mainly comprises of provision of services for subways, light rails, trams and maglev trains. A substantial amount of our revenue generated from our design, survey and consultancy segment was derived from services provided for projects in the PRC. For the three years ended 31 December 2011, 2012 and 2013, 95.4%, 92.1% and 90.4%, respectively, of our revenue of this segment was generated domestically.

- ***Construction contracting segment***

Our construction contracting segment focuses on construction projects in the urban rail transit industry. We win PC and EPC contracts through tendering procedures, the payments of which are typically received in installments according to achievement of specified progress milestones. We pursue construction projects when the pricing and other contract terms are deemed to be acceptable and which we believe can result in a fair return for the degree of risk we assume. Historically all of our revenues generated from this segment were derived from services provided for projects in the PRC.

The table below sets forth the revenue generated before and after inter-segment elimination of each business segment and the percentage of revenue before inter-segment elimination for the periods indicated:

	Year ended 31 December					
	2011		2012		2013	
	(RMB'000)	% of revenue	(RMB'000)	% of revenue	(RMB'000)	% of revenue
Design, survey and consultancy	1,164,947	34.1	1,269,882	46.9	1,526,188	52.1
Construction contracting	2,255,312	65.9	1,435,256	53.1	1,401,367	47.9
Sub-total	3,420,259	100.0	2,705,138	100.0	2,927,555	100.0
Inter-segment elimination(1)	(10,604)		(11,598)		(4,070)	
Total(1)	3,409,655		2,693,540		2,923,485	

Note:

(1) Representing the total revenue of each operating segment after inter-segment elimination (*i.e.,* excluding the effects of inter-segment transactions). Inter-segment elimination is mainly derived from inter-segment services provided to our construction contracting segment by our design, survey and consultancy segment.

The following table sets forth a breakdown of the Group's revenue by region for the periods indicated:

	Year ended 31 December					
	2011		2012		2013	
	(RMB'000)	% of revenue	(RMB'000)	% of revenue	(RMB'000)	% of revenue
Beijing	2,372,631	69.6	1,547,182	57.4	1,528,986	52.3
Non-Beijing	1,037,024	30.4	1,146,358	42.6	1,394,499	47.7
Total	3,409,655	100.0	2,693,540	100.0	2,923,485	100.0

BASIS OF PRESENTATION

Following the completion of the Reorganisation as set out in "History, Reorganisation and Corporate Structure" and "Appendix VI — Statutory and General Information — Further Information about the Company — Reorganisation", our Company was established as a joint stock company with limited liability under the Company Law on 28 October 2013.

As the businesses and assets transferred to us by BUCG before and after the Reorganisation are all under the common control of BUCG (without any change of control), the Reorganisation is considered a "combination under common control" for purposes of accounting treatment. The financial statements set out in this [**REDACTED**] assume that the current structure of our Company has been in existence throughout the Track Record Period. As such, the financial statements set out in this [**REDACTED**] reflect the operating results and cash flow positions of our reorganised business for the years ended 31 December 2011, 2012 and 2013, as well as the financial positions as at the relevant year end, as if the Reorganisation had been completed at the beginning of the Track Record Period. In preparing the financial statements set out in this [**REDACTED**], intra-group transactions and balances within the combination scope were eliminated upon consolidation.

The financial information set out in the financial statements was prepared in accordance with IFRSs. Unless otherwise stated, in this [**REDACTED**], the financial statements refer to our audited consolidated financial statements for the years ended and as at 31 December 2011, 2012 and 2013.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Investment in transportation infrastructure by the PRC government

Our operations primarily involve infrastructure construction related business in China, including in particular, the urban rail transit related business. As a result, our business and operating results have benefited significantly from the investments in construction and improvement of urban rail transit by the PRC government. According to publications of China Association of Metros, investment in urban rail transit in China was RMB191,400 million in 2012, representing a 17.6% increase from 2011. We believe that there will continue to be rapid growth in the PRC government's investment in urban rail transit construction, which we anticipate will generate significant business opportunities for us. Revenues generated from all of our construction contracting operations and substantially all of our design, survey and consultancy operations are attributable to public sector projects (including particularly urban rail transit projects) in China. To the extent that the PRC government decides to reduce public expenditures on urban rail transit projects in China or if we are unable to develop new markets within or outside China, our revenue and profitability could be materially and adversely affected. For example, revenue from the construction contracting segment decreased by RMB820.05 million, or 36.4%, to RMB1,435.26 million in 2012 from RMB2,255.31 million in 2011, partially due to the slowdown in the growth of investment in Beijing urban rail transit related projects from the Beijing municipal government. Please refer to "Risk Factors — Risks Relating to Our Business and Our Industry — Our business relies heavily on investment by the PRC government in the PRC urban rail transit industry and is subject to the changes in the development of the PRC economy" in this [**REDACTED**].

Pricing for our services and products

Contractors for infrastructure construction projects in which we engaged are generally selected through a competitive tendering process. In the context of the competitive tendering process, we consider our own budget forecasts for the project, target profit margins and our competitive landscape. In addition, our ability to competitively price potential bids is subject to government pricing regulation. For example, prices for survey and design contracts are determined by reference to the Charging Standards of Construction Survey and Design (《工程勘察設計收費標準》) promulgated by the NDRC and the MOHURD in 2002. Similarly, pricing standards relating to urban rail transit projects are usually published by the relevant departments of the PRC government. There has not been any adjustment in such pricing benchmarks during the Track Record Period. However, if the relevant regulators take action and raise pricing benchmarks in response to increasing costs and upgrades in technical specifications, our price based on such increased regulated benchmarks may become less attractive to our customers if our competitors decide to charge a lower premium on top of such regulated benchmarks. On the other hand, a decrease in regulated benchmarks may fail to offset increases in raw material, labour or other costs, including particularly any cost increases resulting from upgrades in technical specifications for projects, which could reduce our margins and have an adverse effect on our results of operations and financial condition.

The revenue contribution of our two segments

Our overall profit margin during a specific period is affected by the proportional contribution of revenue from our two segments. During the Track Record Period, the gross margin of our design, survey and consultancy segment was considerably higher than that of our construction contracting segment. For the three years ended 31 December 2011, 2012 and 2013, the gross margin of our design, survey and consultancy segment was 32.1%, 32.2% and 33.1%, respectively, whereas that of our construction contracting segment was 3.2%, 4.8% and 5.9%, respectively. Accordingly, if the percentage of revenue attributable to our design, survey and consultancy segment during a specific period increases, our overall gross margin increases correspondingly. For the two years ended 31 December 2011 and 2012, as the percentage of operating revenue attributable to design, survey and consultancy segment increased, our gross margin also increased correspondingly from 13.1% in 2011 to 17.7% in 2012. Similarly, our gross margin increased to 20.1% for the year ended 31 December 2013.

We intend to continue strengthening our market leading position in our core business of design, survey and consultancy for the urban rail transit industry while also supplementing our construction contracting segment through further integration of our businesses.

Timing and progress of certain major projects

Due to the nature of our construction contracting segment, there can be significant fluctuations in our results of operation from period to period due to the timing of key progress payments, duration of the project over certain financial periods and different gross margins of each construction contract. To the extent that revenue recognition for a major project is concentrated in a financial year or period, our revenue, expenses, profitability and cash flow may be subject to significant fluctuations, which may affect the comparability of our operating results. For example, a majority of revenue generated from Fangshan Line Project (with a total contract value of RMB1,161.58 million) was recognised in 2011, which affected the comparability against our revenue in 2012. Therefore, results in a given year, particularly when we recognise significant revenues from major projects, may not be indicative of our future performance.

Costs associated with subcontracting, labour and raw materials

The primary factors affecting our cost of sales are costs associated with subcontracting, labour and raw materials. Subcontracting costs and costs of raw materials are significant factors affecting cost of sales in our construction contracting segment while labour costs constitute the primary cost of sale in our design, survey and consultancy segment.

For the three years ended 31 December 2011, 2012 and 2013, subcontracting costs amounted to RMB1,588.24 million, RMB1,012.69 million and RMB973.94 million, respectively, representing 53.6%, 45.7% and 41.7% of our total cost of sales, respectively. During the same period, 89.1%, 85.2% and 74.6% of subcontracting costs were related to our construction contracting segment. Given the complexity of urban rail transit operations, we rely to a certain extent on subcontractors to provide additional engineering capabilities and services to support our construction projects. We select subcontractors through a tendering process in accordance with the requirements of the PRC laws. The key factors we consider when selecting subcontractors include work experience, professionalism, track record and quotation of subcontracting fees. Please refer to "Business — Suppliers and subcontractors — Subcontractors" in this [**REDACTED**] for further detailed description of the nature and scope of our subcontracting arrangements. While we work closely with our subcontractors and monitor the quality and progress of the construction or design processes, the subcontractors we choose and hire during the process can introduce a performance risk which can have a material adverse effect on our results of operations. Please refer to "Risk Factors — Risks Relating to Our Business and Our Industry — We rely on third parties, including subcontractors, to complete certain projects and are subject to risks arising from the non-performance, late performance or poor performance by such third parties" in this [**REDACTED**] for further details.

For the three years ended 31 December 2011, 2012 and 2013, our labour costs amounted to RMB506.59 million, RMB589.96 million and RMB649.79 million, respectively, representing 17.1%, 26.6% and 27.8% of the total cost of sales, respectively. During the same period, 80.6%, 90.9% and 86.8% of the labour costs were derived from our design, survey and consultancy segment. Labour costs mainly consist of salaries, wages, benefits, allowances and bonuses of the employees. As at 31 December 2013, we had 1,834 professional technicians, accounting for 70.27% of the total number of staff. As our design, survey and consultancy segment expands, our demand for qualified professionals in the industry continues to increase. Our ability to retain professionals with urban rail transit industry and related industry expertise at a reasonable salary level will affect our scope of work, quality of work and technical capabilities, which will in turn affect our operating results. Furthermore, as our business expands and the average salary level of many cities in the PRC rises, the salaries, wages and bonuses of our staff increase accordingly. Each of these factors has led to an increase in our labour costs in varying degrees. Our labour costs increased by 16.5% from RMB506.59 million in 2011 to RMB589.96 million in 2012, primarily attributable to the fact that the bonus payments to our employees increased as a result of our better financial performance. Similarly, our labour costs increased by 10.1% from RMB589.96 million in 2012 to RMB649.79 million in 2013. The price of our design, survey and consultancy contracts generally cannot be adjusted under the terms of these agreements even in the event of an increase in the labour costs. Increases in labour costs may adversely affect our operating results and profitability.

For the three years ended 31 December 2011, 2012 and 2013, our cost of raw materials was RMB582.54 million, RMB305.78 million and RMB360.36 million, respectively, representing 19.7%, 13.8% and 15.4% of the total cost of sales, respectively. During the same period, 96.1%, 91.4% and

91.3% of the cost of raw materials related to our construction contracting segment, consisting mainly of costs for steel, cement and other materials used in our construction contracting projects. Most of our construction contracts are fixed-price contracts which generally limit our ability to change our contract prices. To the extent that there are increases in the cost of raw materials, we may be limited in our ability to pass on such increased costs to our customers in the construction contracting segment.

Increased competition for design and construction services in the urban rail transit industry

Although we have an established brand and a leading position in the industry for urban rail transit design, survey and consultancy as well as construction contracting, we face increasingly intense competition. With respect to our design, survey and consultation segment, our competitors mainly include a small number of national and local survey and design institutes. Regarding our construction contracting segment, our competitors include the large-scale State-owned engineering construction enterprises in China and local urban rail construction companies. We believe that there will be an industry trend towards an increasing number of competitors in the future which may impact our ability to grow our business and maintain our profit margins. For more details, please refer to "Risk Factors — Risks Relating to Our Business and Our Industry — The urban rail transit industry is subject to intense competition" and "Business — Market and Competition" in this [**REDACTED**].

Taxation

Our profitability and financial performance are affected by the tax rates applicable to us and the preferential treatments we enjoy. According to the new Enterprise Income Tax Law, effective since 1 January 2008, the enterprise income tax for both domestic companies and foreign invested enterprises will be levied at the uniform rate of 25%, except for certain income tax deductions prescribed by the new Enterprise Income Tax Law, once the law is fully in force. However, in 2010, we and our subsidiary, Exploration Institute, were identified as high-tech enterprises and were entitled to a preferential income tax at a rate of 15% for the years ended 31 December 2011 and 2012. In 2013, we and Exploration Institute applied for the renewal of the high-tech enterprises certificates upon their expiry. In March 2014, we and Exploration Institute successfully renewed the certificates of high-tech enterprises for the years of 2013, 2014 and 2015.

Pursuant to the pilot programmes for the imposition of VAT promulgated by the PRC tax authorities in 2011 and 2012, certain design, survey and consultancy services that we provide are considered "modern services". As a result, starting from the beginning of the relevant pilot programmes in 2012, we and our subsidiaries or branches, where applicable, became subject to VAT instead of the business tax at the applicable rates for the above taxable service income under certain circumstances. The start dates of the pilot programmes depends on tax residency. For example, businesses subject to taxation in Beijing became eligible to pay such VAT on 1 September 2012.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The discussion and analysis of our operational results and financial positions are based on the audited consolidated financial information prepared in accordance with IFRSs. Our results of operations and financial position may be affected by certain accounting policies, including assumptions and estimates used in the preparation of our consolidated financial information. Our assumptions and estimates are based on our past experiences and various other assumptions currently considered reasonable by us. Such assumptions constitute the basis of judgement on matters which could not be clearly and easily concluded from other sources. We will continue to assess these estimates. Actual results may be different from estimates as a result of change of facts, situations and conditions and assumptions used.

An accounting policy is considered to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, and if different estimates that reasonably could have been used, or changes in the accounting estimates that are reasonably likely to occur periodically, could materially affect our consolidated financial statements. We believe that the following critical accounting policies are the most sensitive and are those that require the most significant estimates and assumptions used in the preparation of our consolidated financial statements. You should read the following descriptions of critical accounting policies, judgments and estimates in conjunction with our consolidated financial statements and other disclosures in this [**REDACTED**].

Revenue recognition

Revenue recognition involves estimates and judgments by the management. We recognise revenue when the economic benefit is likely to flow to the Group and the revenue can be reliably measured, including the use of percentage of completion method of accounting in revenue recognition in both business segments. Due to the nature of our business operations, the date when our activity commences and the date when our activity is completed usually fall into different accounting periods. Therefore, we need to make judgment in reviewing and revising the estimates of contract costs during both the initial financial projection planning stage as well as the progress made later. We may need to make a provision for impairment when the actual contract revenue is less than expected, or when the actual contract costs are more than expected. Our Directors confirm that the relevant estimates or underlying assumptions made in the past have been generally in line with actual results during the Track Record Period and that we have consistently applied these estimates or underlying assumptions during the Track Record Period. Our Directors further confirm that these estimates or underlying assumptions are unlikely to change in the near future.

Revenue generated from design, survey and consultancy services

If the revenue, costs incurred and the estimated costs to completion of the transaction can be reliably measured, we recognise revenue based on the percentage of completion of the project. The percentage of completion is established by reference to the costs incurred to date as compared to the total costs to be incurred under the transaction. In making such estimates, we must make judgements to evaluate the possible effects of variances in schedule, the costs of labour, subcontractors and other factors related to our performance under contracts.

If the results of the transaction cannot be reliably measured, we recognise revenue only to the extent that the costs incurred can be recovered.

Revenue generated from construction contracting services

We recognise revenue from the construction contracting services using percentage of completion method. When a contract has progressed to a stage where its profit can be reliably measured, its revenue is measured by the proportion of costs incurred to date to the estimated total costs of the relevant contract.

The components of revenue from construction contracting services include the agreed contract amount, the amount according to any change orders, claims and incentive payments. The components of costs in relation to construction contracting services include raw materials, subcontracting costs, labour costs and certain overheads. We make provision on foreseeable losses as soon as they are anticipated by us. As a result, we must make judgement and assumptions in compiling construction schedule, making any necessary adjustment in light of the actual construction progress or potential change order, and monitoring the billing progress.

If the sum of the aggregate costs incurred in a project and the recognised profits (net of any recognised losses) exceed the progress billing, the excess is recognised as amount due from contract customers. If the progress billing exceeds the sum of the costs incurred in the projects and the recognised profits (net of any recognised losses), the remaining amounts is recognised as amount due to contract customers. Due to the nature of our business, we may experience delays in receiving payment from our clients as they review and approve payments for progress billings.

Depreciation and amortisation

The amount of depreciation and amortisation expenses to be recognised for an asset is affected by a number of management's estimates, such as estimated useful life and residual value. Different judgments will result in material differences in the amount and timing of the depreciation or amortisation charges related to the asset. Our Directors confirm that the relevant estimates or underlying assumptions made in the past have been generally in line with actual results during the Track Record Period and that we have consistently applied these estimates or underlying assumptions during the Track Record Period. Our Directors further confirm that these estimates or underlying assumptions are unlikely to change in the near future.

Property, plant and equipment

Except for that the depreciation of certain machineries for shield tunneling construction is calculated on the units of production method, the depreciation of other property, plant and equipment is calculated on a straight-line basis over their estimated useful lives based on the percentage set out in the table below. The useful life for each type of property, plant and equipment is established based on our experience with similar assets that are used in a similar way, our assessment of the use of the assets and anticipated development in technology. We review the assumptions used in the determination of useful lives of property, plant and equipment periodically. Depreciation amounts will be adjusted if the estimated useful lives and/or the residual values of items of property, plant and equipment are different from previous estimations. Useful lives and residual values are reviewed, at each balance sheet date, based on changes in circumstances. Fully depreciated assets remain in the accounts without further depreciation until they are no longer in use.

The cost is amortised to its residual value based on the percentage below:

Categories	Annual rates
Buildings	2.4%
Machinery	9.6%–24.3%
Production equipment	6.5%
Motor vehicles	9.0%–12.1%
Measurement and experimental equipment	9.6%–16.2%
Office equipment and others	19.0%–32.3%
Leasehold improvement	10%–20%

Intangible assets

Intangible assets, which include mainly computer software, are amortised over their estimated useful lives on a straight-line basis. Their estimated useful lives are based on our assessment of the use and anticipated changes in technology.

Impairment of non-financial assets

On each balance sheet date, we assess whether there is an indication that an asset may be impaired. When an indication of impairment exists, or when annual impairment testing for an asset is required, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's value in use or its fair value less costs of disposal, and is determined for an individual asset, unless the asset is not generally capable of independently generating cash inflows, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. If different judgments are used, material differences may result in the amount and timing of the impairment charge.

We write down an asset as an impairment loss if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recorded to the statement of profit or loss in the period in which it occurs.

Management reverses a previously recognised impairment loss if there has been a change in the estimates used to determine the recoverable amount of an asset. The amount of reversal is credited to the statement of profit or loss in the period in which it arises. The amount, however, cannot exceed the carrying amount that would have been determined (net of any depreciation or amortisation) had no impairment loss been recognised for the asset in prior years.

Our Directors confirm that the relevant estimates or underlying assumptions made in the past have been generally in line with actual results during the Track Record Period and that we have consistently applied these estimates or underlying assumptions during the Track Record Period. Our Directors further confirm that these estimates or underlying assumptions are unlikely to change in the near future.

Trade and other receivables

We maintain an allowance for estimated losses arising from the inability of our customers to make required payments. We make our estimates based on the aging of our trade and other receivables balances, customers' creditworthiness, and historical write-off experience. If the financial condition of our customers deteriorate such that the actual impairment loss is higher than expected, we shall revise the basis for making the provision and our future results would be affected.

Evidence for determining impairment may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults which may affect our assets. The estimates we use when making arrangements for future cash flows are based on historical loss experience for assets with credit risk characteristics and impairment similar to those of the receivables. As at 31 December 2011, 2012 and 2013, the provision for impairments made on the trade receivables amounted to RMB92.69 million, RMB121.67 million and RMB140.38 million, respectively, accounting for 7.6%, 10.3% and 9.1% of our trade receivables, respectively.

Our Directors confirm that the relevant estimates or underlying assumptions made in the past have been generally in line with actual results during the Track Record Period and that we have consistently applied these estimates or underlying assumptions during the Track Record Period. Our Directors further confirm that these estimates or underlying assumptions are unlikely to change in the near future.

Current income tax and deferred income tax

We are subject to income taxes in numerous jurisdictions, which requires us to make judgments in determining the provision for taxation in these jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact the current income tax and deferred income tax provisions in the periods in which the differences arise.

Income tax includes current and deferred tax. Income tax is recognised in the consolidated statement of profit or loss, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities.

We made provision for deferred tax using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets relating to certain temporary differences and tax losses are recognised as we determine it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The realisation of the deferred tax assets depends mainly on whether sufficient future taxable profits or taxable temporary differences will be available in the future. In cases where the actual future taxable profits generated are less than expected, a material reversal of deferred tax assets may arise, which will be recognised in the consolidated statement of profit or loss for the period in which such a reversal takes place.

Our Directors confirm that the relevant estimates or underlying assumptions made in the past have been generally in line with actual results during the Track Record Period and that we have consistently applied these estimates or underlying assumptions during the Track Record Period. Our Directors further confirm that these estimates or underlying assumptions are unlikely to change in the near future.

DESCRIPTION OF COMPONENTS OF OPERATING RESULTS

Revenue

We generate our revenue from two business segments, *i.e.*, the design, survey and consultancy segment and the construction contracting segment where we provide services for infrastructure construction, especially urban rail transit.

The following table sets forth the revenue generated before and after inter-segment elimination of each business segment and the percentage of revenue before inter-segment elimination for the periods indicated:

	Year ended 31 December					
	2011		2012		2013	
	(RMB'000)	% of revenue	(RMB'000)	% of revenue	(RMB'000)	% of revenue
Design, survey and consultancy	1,164,947	34.1	1,269,882	46.9	1,526,188	52.1
Construction contracting	2,255,312	65.9	1,435,256	53.1	1,401,367	47.9
Sub-total	3,420,259	100.0	2,705,138	100.0	2,927,555	100.0
Inter-segment elimination(1)	(10,604)		(11,598)		(4,070)	
Total(1)	3,409,655		2,693,540		2,923,485	

Note:

(1) Inter-segment elimination is mainly derived from the inter-segment services provided to our construction contracting segment by our design, survey and consultancy segment. The total represents the total income of each operating segment after inter-segment elimination (*i.e.*, excluding the effects of inter-segment transactions).

Design, survey and consultancy

Our design, survey and consultancy segment has historically been our core business. The design services we provide include, but are not limited to, overall design, preliminary design and construction drawing design. The survey services we provide include but are not limited to, geotechnical investigation and hydrogeological investigation, risk assessment and construction surveying, monitoring and testing. The consultancy services we provide include, but are not limited to, project planning, project pre-feasibility studies, project feasibility studies and design consultancy.

For the years ended 31 December 2011, 2012 and 2013, 34.1%, 46.9% and 52.1%, respectively, of our revenue before inter-segment elimination was generated from our design, survey and consultancy segment.

Our design, survey and consultancy segment includes design, survey and consultancy services for urban rail transit projects as well as industrial and civil buildings and municipal constructions. The table below sets forth the revenue generated from design, survey and consultancy services for urban rail transit projects as well as industrial and civil buildings and municipal constructions and their respective percentage of the revenue before inter-segment elimination of our design, survey and consultancy segment for the periods indicated:

	Year ended 31 December					
	2011		2012		2013	
	(RMB'000)	%	(RMB'000)	%	(RMB'000)	%
Urban rail transit projects	838,053	71.9	871,955	68.7	1,112,482	72.9
Industrial and civil buildings and municipal constructions	326,894	28.1	397,927	31.3	413,706	27.1
Total	1,164,947	100.0	1,269,882	100.0	1,526,188	100.0

The table below sets forth the gross profit attributable to design, survey and consultancy services for urban rail transit projects as well as industrial and civil buildings and municipal constructions and their respective percentage of the gross profit before inter-segment elimination of our design, survey and consultancy segment for the periods indicated:

	Year ended 31 December					
	2011		2012		2013	
	(RMB'000)	%	(RMB'000)	%	(RMB'000)	%
Urban rail transit projects	285,165	76.4	310,889	76.0	402,240	79.6
Industrial and civil buildings and municipal constructions	88,257	23.6	97,988	24.0	103,167	20.4
Total	373,422	100.0	408,877	100.0	505,407	100.0

Construction contracting

In December 2012, BUCG transferred to us some of its assets, including urban rail transit general contracting business at nil consideration. Please refer to "History, Reorganisation and Corporate Structure — Corporate Structure and Business Segments — Reorganisation" in this [**REDACTED**]. Those assets have formed the foundation of our construction contracting operations.

For the years ended 31 December 2011, 2012 and 2013, 65.9%, 53.1% and 47.9%, respectively, of our revenue before inter-segment elimination were generated from our construction contracting segment.

Our construction contracting segment shares synergies with the design, survey and consultancy segment. In particular, it closely interacts with the design, survey and consultancy segment for urban rail transit construction projects as it generally shares the same customer base. We believe that we are able to obtain more construction contracting work for urban rail transit projects by leveraging our leading market position and strong brand recognisation of our design, survey and consultancy business. Our construction contracting segment currently only involves urban rail transit construction projects.

Although we mainly enter into construction contracts by ways of PC contracting, other methods such as EPC contracting are also adopted. The scope of our construction contracting segment encompasses the specific areas of land construction and equipment installation for our the urban rail transit projects, such as station architecture, viaducts (including above- and under-ground stations and high-rise stations), tunnels, waterproof, dewatering and air defence facilities. We have undertaken contracting projects in major cities of China, including Beijing, Guangzhou, Shenzhen, Tianjin, Hangzhou and Dalian. As at the Latest Practicable Date, our construction contracting operations had not expanded to the overseas markets yet.

Domestic and Overseas Business

For the three years ended 31 December 2011, 2012 and 2013, we generated most of our revenue within the PRC. All of our overseas revenue was derived from our design, survey and consultancy segment. The table below sets forth the breakdown of the percentage of our revenue by geography to revenue before inter-segment elimination for the periods indicated:

	Year ended 31 December					
	2011		**2012**		**2013**	
	(RMB'000)	**%**	**(RMB'000)**	**%**	**(RMB'000)**	**%**
Domestic	3,355,759	98.4	2,593,187	96.3	2,776,846	95.0
Overseas	53,896	1.6	100,353	3.7	146,639	5.0
Total	3,409,655	100.0	2,693,540	100.0	2,923,485	100.0

For details of our overseas business, please refer to "Business — Business Segments — Design, Survey and Consultancy Business — Overseas Design, Survey and Consultancy" in this [**REDACTED**].

Cost of Sales

Our cost of sales mainly include subcontracting costs, cost of raw materials, labour costs, depreciation, rent and property costs, travel expenses and documentation expenses.

The following table sets forth a breakdown of our cost of sales by segments for the periods indicated:

	Year ended 31 December					
	2011		2012		2013	
	(RMB'000)	%	(RMB'000)	%	(RMB'000)	%
Design, survey and consultancy	791,525	26.6	861,005	38.7	1,020,781	43.6
Construction contracting	2,182,389	73.4	1,366,114	61.3	1,318,643	56.4
Sub-total	2,973,914	100.0	2,227,119	100.0	2,339,424	100.0
Inter-segment elimination[(1)]	(10,455)		(11,420)		(2,641)	
Total[(1)]	2,963,459		2,215,699		2,336,783	

Note:

(1) Inter-segment elimination is mainly derived from inter-segment services provided to our construction contracting segment by our design, survey and consultancy segment. The total represents the total cost of sales of each operating segment after inter-segment elimination. (*i.e.*, excluding the effects of inter-segment transactions).

The table below sets forth a breakdown of our cost of sales:

	Year ended 31 December					
	2011		2012		2013	
	(RMB'000)	%	(RMB'000)	%	(RMB'000)	%
Subcontracting costs	1,588,244	53.6	1,012,694	45.7	973,937	41.7
Cost of raw materials	582,536	19.7	305,781	13.8	360,362	15.4
Labour costs	506,593	17.1	589,958	26.6	649,792	27.8
Depreciation and equipment rental fee	40,105	1.3	31,913	1.5	64,434	2.8
Rent and property costs	19,491	0.7	31,295	1.4	33,813	1.4
Travel expenses	109,974	3.7	121,661	5.5	122,368	5.2
Documentation expenses	39,813	1.3	38,071	1.7	49,071	2.1
Others	76,703	2.6	84,326	3.8	83,006	3.6
Total	2,963,459	100.0	2,215,699	100.0	2,336,783	100.0

Subcontracting costs mainly consist of the amounts we pay to the subcontractors. Labour costs mainly consist of wages, benefits, allowances and bonuses. Cost of raw materials consists primarily of the fees we pay for the raw materials necessary for our construction contracting projects (such as steel and cement). Subcontracting costs and cost of raw materials are mainly derived from our construction contracting segment. Labour costs are mainly derived from our design, survey and consultancy segment.

Gross Profit and Gross Margin

Our gross profit is calculated by deducting total cost of sales from total revenue. Gross profit of each segment is calculated by deducting the segment cost of sales from segment revenue. The following table sets forth the gross profit and gross margin of each segment for the periods indicated:

	Year ended 31 December								
	2011			2012			2013		
	Gross Profit (RMB'000)	% of total gross profit (%)	Gross margin (%)	Gross Profit (RMB'000)	% of total gross profit (%)	Gross margin (%)	Gross Profit (RMB'000)	% of total gross profit (%)	Gross margin (%)
Design, survey and consultancy	373,422	83.7	32.1	408,877	85.5	32.2	505,407	85.9	33.1
Construction contracting	72,923	16.3	3.2	69,142	14.5	4.8	82,724	14.1	5.9
Sub-total	446,345			478,019			588,131		
Inter-segment elimination[1]	(149)			(178)			(1,429)		
Total	446,196	100.0	13.1[1]	477,841	100.0	17.7[1]	586,702	100.0	20.1[1]

Note:

(1) The aggregate of total gross margin is calculated by dividing the total gross profit by operating revenue (*i.e.*, total revenue generated after inter-segment elimination). Inter-segment elimination is mainly derived from inter-segment services provided to our construction contracting segment by our survey, design and consultancy segment.

For the years ended 31 December 2011, 2012 and 2013, the gross profit of our design, survey and consultancy segment represented 83.7%, 85.5% and 85.9% of our total gross profit, respectively. During the same period, the gross profit of the construction contracting segment represented 16.3%, 14.5% and 14.1% of our total gross profit, respectively.

Other Income and Gains

Our other income and gains primarily include the interest income from bank deposits, gains from disposal of a joint venture and foreign exchange gains. For the years ended 31 December 2011, 2012 and 2013, our other income and gains were RMB7.70 million, RMB18.51 million and RMB11.67 million, respectively.

The following table sets forth the details of our other income and gains for the periods indicated:

	Year ended 31 December					
	2011		2012		2013	
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
Interest income	5,209	67.7	4,651	25.1	11,143	95.5
Gain on disposal of an associate	151	2.0	—	—	—	—
Gain on disposal of a joint venture	—	—	13,180	71.2	—	—
Gains on disposal of financial products included in prepayments, deposits and other receivables	183	2.4	—	—	109	0.9
Others [(1)]	2,154	27.9	683	3.7	415	3.6
Total	7,697	100.0	18,514	100.0	11,667	100.0

Note:

(1) Others mainly includes foreign exchange gains and other miscellaneous gains.

Selling and Distribution Expenses

Our selling and distribution expenses mainly include bidding costs, salaries, allowance, bonus and benefits relating to sales and marketing employees, travelling and catering expenses, office-related expenses. During the years ended 31 December 2011, 2012 and 2013, our selling and distribution expenses were RMB32.97 million, RMB36.06 million and RMB44.07 million, respectively.

The following table sets forth the details of our selling and distribution expenses for the periods indicated:

	Year ended 31 December					
	2011		2012		2013	
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
Bidding costs	8,660	26.3	7,759	21.5	15,155	34.4
Salaries, allowance, bonus and benefits	11,141	33.8	13,334	37.0	15,236	34.6
Travelling and catering expenses	4,610	14.0	6,218	17.2	4,073	9.2
Office-related expenses	6,326	19.2	7,463	20.7	8,238	18.7
Others	2,230	6.7	1,282	3.6	1,366	3.1
Total	32,967	100.0	36,056	100.0	44,068	100.0

Administrative Expenses

Our administrative expenses primarily comprise salaries, allowance, bonus and benefits relating to administrative personnel, rental and property-related expenses, office expenses and travel and entertainment expenses. For the years ended 31 December 2011, 2012 and 2013, our administrative expenses amounted to RMB187.23 million, RMB193.85 million and RMB212.00 million, respectively.

The following table sets forth the details of our administrative expenses for the periods indicated:

	Year ended 31 December					
	2011		2012		2013	
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
Salaries, allowance, bonus and benefits	103,687	55.4	98,789	51.0	111,693	52.7
Rental and property-related expenses	7,170	3.9	15,967	8.2	12,434	5.9
Office expenses	15,602	8.3	18,260	9.4	17,487	8.2
Depreciation and amortisation	4,179	2.2	6,646	3.4	8,136	3.8
Travel and entertainment expenses	12,595	6.7	13,756	7.1	17,492	8.3
Other taxes	919	0.5	2,043	1.1	2,387	1.1
Others	43,073	23.0	38,386	19.8	42,367	20.0
Total	187,225	100.0	193,847	100.0	211,996	100.0

Other Expenses

Other expenses primarily comprise provision for bad debts, foreseeable losses on contracts, foreign exchange losses and other miscellaneous expenses. For the years ended 31 December 2011, 2012 and 2013, our other expenses amounted to RMB29.45 million, RMB32.15 million and RMB31.85 million, respectively.

Finance Costs

Our finance costs mainly include interest expenses on borrowings from BUCG. For the years ended 31 December 2011, 2012 and 2013, our finance costs amounted to RMB2.27 million, RMB2.43 million and RMB1.38 million, respectively.

Share of Profits and Losses of Joint Ventures and Associates

We recognised a profit for joint ventures and associates attributable to the Company of RMB0.70 million for the year ended 31 December 2011 and RMB1.24 million for the year ended 31 December 2013. We recognised a loss for joint ventures and associates attributable to the Company of RMB0.83 million for the year ended 31 December 2012. Details of the joint ventures and associates, the profits and losses of which are shared with the Company during the Track Record Period are set out in notes 18 and 19 to the "Appendix I — Accountants' Report" to this [**REDACTED**].

Income Tax Expense

The statutory enterprise income tax rate in the PRC is 25%. As we and Exploration Institute were recognised as high-tech enterprises in 2010 respectively, we and Exploration Institute were eligible to pay a preferential rate of 15% for the enterprise income tax for the period between 1 January 2010 and 31 December 2012. The preferential tax treatment was valid for three years, subject to renewal. There are uncertainties whether we will be eligible to continue to enjoy preferential tax treatment. For more details, please refer to "Risk Factors — Risks Relating to Our Business and Our Industry — Our tax burden may increase as a result of changes in tax policies of the PRC government, including potential abolition of the preferential tax treatment from which we benefit" in this [**REDACTED**]. However, the Company and Exploration Institute successfully renewed the certificates in March 2014, and our Directors believe that we remain eligible for the 15% enterprise income tax rate for the year ended 31 December 2013. During the period between 1 January 2010 and 31 December 2013, our other subsidiaries are subject to the enterprise income tax rate of 25%.

For the years ended 31 December 2011, 2012 and 2013, our effective tax rate was 19.8%, 14.3% and 23.9%, respectively. Taking into account various factors such as the fact that the subsidiaries of the Company enjoyed certain tax benefits, the increase or decrease in our non-deductible expenses, and the effects of changes in tax rates of the Company and its subsidiaries on deferred income tax, the effective income tax rate applicable to us will continue to be subject to fluctuations and differ from the statutory tax rate. Please refer to "Risk Factors — Risks Relating to Our Business and Our Industry — Our tax burden may increase as a result of changes in tax policies of the PRC government, including potential abolition of the preferential tax treatment from which we benefit" in this [**REDACTED**].

During the Track Record Period and up to the Latest Practicable Date, we did not have any material dispute or unresolved issues with the relevant tax authorities.

Non-controlling Interests

Non-controlling interests represent the interests held by external shareholders but not the Company in the business and equity of the Company's subsidiaries. Non-controlling interests are stated individually in the consolidated statement of comprehensive income and are separate from the interests of the shareholders of the parent company under equity in the consolidated statement of financial position. For the years ended 31 December 2011, 2012 and 2013, profits of non-controlling shareholders amounted to RMB4.97 million, RMB3.63 million and RMB0.70 million, respectively. Profits of non-controlling shareholders in 2013 decreased by RMB2.93 million, or 80.7%, to RMB0.70 million from RMB3.63 million in 2012, which was mainly due to our acquisition of 39.0% equity interest of Exploration Institute from its employee shareholding committee in 2012.

OPERATING RESULTS

Selected Consolidated Financial Information

The following table summarises our consolidated operating results for the periods indicated:

	Year ended 31 December		
	2011	2012	2013
	(RMB'000)	(RMB'000)	(RMB'000)
Revenue	3,409,655	2,693,540	2,923,485
Cost of sales	(2,963,459)	(2,215,699)	(2,336,783)
Gross profit	446,196	477,841	586,702
Other income and gains	7,697	18,514	11,667
Selling and distribution expenses	(32,967)	(36,056)	(44,068)
Administrative expenses	(187,225)	(193,847)	(211,996)
Other expenses	(29,446)	(32,148)	(31,853)
Finance costs	(2,272)	(2,430)	(1,376)
Share of profits and losses of:			
Joint ventures	151	(431)	(651)
Associates	547	(395)	1,893
Profit before tax	202,681	231,048	310,318
Income tax expense	(40,072)	(33,000)	(74,052)
Profit for the year	162,609	198,048	236,266
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Re-measurement gains/(losses) on defined benefit plans, net of tax	(4,540)	2,170	4,630
Total comprehensive income for the year, net of tax	158,069	200,218	240,896
Profit attributable to:			
Owners of the parent	157,643	194,423	235,563
Non-controlling interests	4,966	3,625	703
Profit for the year	162,609	198,048	236,266
Total comprehensive income attributable to:			
Owners of the parent	153,367	196,487	240,193
Non-controlling interests	4,702	3,731	703
	158,069	200,218	240,896

Year ended 31 December 2013 compared to year ended 31 December 2012

Revenue

Our revenue increased by RMB229.95 million, or 8.5%, to RMB2,923.49 million in 2013 from RMB2,693.54 million in 2012. This increase was mainly due to the increase in business activities of our survey, design and consultancy segment as discussed below.

Revenue from the design, survey and consultancy segment

Revenue from the design, survey and consultancy segment increased by RMB256.31 million, or 20.2%, to RMB1,526.19 million in 2013 from RMB1,269.88 million in 2012. This increase was mainly due to the greater percentage of completion of the services we provided under the existing contracts and an increase in the new contract value of our urban rail transit business.

- Urban rail transit engineering projects: revenue from the urban rail transit engineering projects increased by 27.6% from RMB871.96 million in 2012 to RMB1,112.48 million in 2013. This increase was mainly due to the increase in the nationwide demand for design, survey and consultancy services relating to the urban rail transit engineering projects from customers as the PRC government and municipal governments increased investment in the urban rail transit industry, as well as our effort to expand our businesses to cities outside Beijing to capture the opportunities presented by such increase in government investment. The new contract value for urban rail transit engineering projects increased by 86.47% from RMB963.90 million in 2012 to RMB1,797.40 million in 2013.

- Industrial and civil construction and municipal engineering projects: revenue from the industrial and civil construction and municipal engineering projects increased by RMB15.78 million, or 4.0%, to RMB413.71 million in 2013 from RMB397.93 million in 2012. This increase was mainly due to the increase in business activities for urban rail transit related municipal engineering projects resulting from the increase in government investment in urban rail projects as discussed above, as well as the increase in services provided under existing industrial and civil construction projects such as a community living project in Lubango for which we provide design and survey services to CITIC Construction Co., Ltd., which served as the general contractor.

Revenue from the construction contracting segment

Revenue from the construction contracting segment amounted to RMB1,401.37 million in 2013, generally in line with RMB1,435.26 million from the same segment in 2012, despite a slight decrease in the business activities of our construction contracting segment due to the fact that more of our existing contracts had completed the main construction stage but fewer new contracts had entered such stage.

Cost of Sales

Cost of sales increased by RMB121.08 million, or 5.5%, to RMB2,336.78 million in 2013 from RMB2,215.70 million in 2012. This increase was mainly due to the increase in business activities of our design, survey and consultancy segment as discussed further below.

- Cost of sales of the design, survey and consultancy segment increased by RMB159.77 million, or 18.6%, to RMB1,020.78 million in 2013 from RMB861.01 million in 2012. This increase was generally in line with the increase in business activities of the segment, resulting in an increase in the labour costs and subcontracting costs.

- Cost of sales of the construction contracting segment decreased by RMB47.47 million, or 3.5%, to RMB1,318.64 million in 2013 from RMB1,366.11 million in 2012. This decrease was generally in line with the slight decrease in business activities of our construction contracting segment, resulting in a decrease in subcontracting costs and cost of raw materials.

Gross Profit

Gross profit increased by RMB108.86 million, or 22.8%, from RMB477.84 million in 2012 to RMB586.70 million in 2013. Our gross margin increased to 20.1% in 2013 from 17.7% in 2012. Increases in both gross profit and gross margin were mainly due to the increase in the percentage of our operating revenue attributable to our design, survey and consultancy segment before inter-segment elimination during the same period from 46.9% to 52.1%.

- Gross profit of the design, survey and consultancy segment increased by RMB96.53 million, or 23.6%, to RMB505.41 million in 2013 from RMB408.88 million in 2012. Gross margin of the design, survey and consultancy segment increased to 33.1% in 2013 from 32.2% in 2012. The increase in gross profit of the segment was mainly due to the increase in business activities of our design, survey and consultancy segment for the reasons discussed above, while our gross margin for this segment remained relatively stable.

- Gross profit of the construction contracting segment increased by RMB13.58 million, or 19.6%, to RMB82.72 million in 2013 from RMB69.14 million in 2012. Gross margin of the construction contracting segment increased to 5.9% in 2013 from 4.8% in 2012. The increase in gross profit and gross margin of the segment was mainly attributable to the fact that we sought to optimise cost control and pursued a strategy of selectively bidding for more profitable projects.

Other Income and Gains

Other income and gains decreased by RMB6.84 million, or 37.0%, to RMB11.67 million in 2013 from RMB18.51 million in 2012. Such decrease was mainly due to a RMB13.18 million gain in other income on the disposal of the Company's equity interest in Beijing Huajie Construction Supervision Co., Ltd. (北京華捷建設監理有限公司) in 2012 and there was no comparable gain on disposal in 2013, despite an increase of RMB6.49 million in interest income from our deposits as compared to 2012, primarily due to the interest gained from the deposit of cash proceeds of RMB703.16 million being the subscription money by the Strategic Investors for equity interests in the Company. We disposed of our equity interest in Beijing Huajie Construction Supervision Co., Ltd. (北京華捷建設監理有限公司) because that company mainly provided construction supervision services which we believe were not aligned with our core business.

Selling and Distribution Expenses

Selling and distribution expenses increased by RMB8.01 million, or 22.2%, to RMB44.07 million in 2013 from RMB36.06 million in 2012. The increase in selling and distribution expenses was mainly due to the corresponding increase in bidding costs as we focused on business development in both of our segments.

Administrative Expenses

Administrative expenses increased by RMB18.15 million, or 9.4%, to RMB212.00 million in 2013 from RMB193.85 million in 2012. This increase was mainly due to the increase in our labour costs, office expenses, travel and entertainment expenses as a result of an increase in business activities in the design, survey and consultancy segment.

Other Expenses

Other expenses decreased by RMB0.30 million, or 0.9%, to RMB31.85 million in 2013 from RMB32.15 million in 2012. The decrease in other expenses was mainly due to a decrease in the respective provision for bad debts relating to trade and other receivables for the year.

Finance Costs

Finance costs decreased by RMB1.05 million, or 43.2%, to RMB1.38 million in 2013 from RMB2.43 million in 2012. This decrease was mainly due to a decrease in interest expenses as a result of repayment of our interest-bearing borrowings from BUCG.

Share of Profits and Losses of Joint Ventures and Associates

Share of profits of joint ventures and associates increased to a gain of RMB1.24 million in 2013 from a loss of RMB0.83 million in 2012, which mainly reflected share of profits from our investment in Rail Transit Design Institute.

Income Tax Expense

Income tax expense increased by RMB41.05 million, or 124.4%, to RMB74.05 million in 2013 from RMB33.00 million in 2012, mainly due to increased deferred income tax expense. Fluctuations in deferred income tax expense reflect different applicable tax rate at which we recognise deferred income tax assets over years. According to IFRSs we recognised deferred income tax assets as at 31 December 2012 at a higher rate since we expected we would be subject to a higher income tax rate as our high-tech preferential tax certificate expired in 2013. We recognised deferred income tax assets at a lower rate as at 31 December 2013 since we expected our high-tech preferential tax certificate would be renewed. As a result of re-measurement of the deferred tax assets, our effective income tax rate increased from 14.3% in 2012 to 23.9% in 2013.

Profit for the Period

As a result of the foregoing, profit for the period increased by RMB38.22 million, or 19.3%, to RMB236.27 million in 2013 from RMB198.05 million in 2012. Net profit margin increased to 8.1% in 2013 from 7.4% in 2012.

Business Segment Analysis

The following table sets forth the revenue, gross profit, gross margin, profit before tax and profit before tax margin ("PBT Margin") of each of our business segments for the periods indicated:

	Revenue		Gross profit		Gross margin		Profit before tax		PBT Margin	
	Year ended 31 December		Year ended 31 December		Year ended 31 December		Year ended 31 December		Year ended 31 December	
	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	%	%	(RMB'000)	(RMB'000)	%	%
Design, survey and consultancy	1,269,882	1,526,188	408,877	505,407	32.2	33.1	197,873	270,012	15.6	17.7
Construction contracting	1,435,256	1,401,367	69,142	82,724	4.8	5.9	33,353	41,735	2.3	3.0
Sub-total	2,705,138	2,927,555	478,019	588,131			231,226	311,747		
Inter-segment elimination[1]	(11,598)	(4,070)	(178)	(1,429)			(178)	(1,429)		
Total	2,693,540	2,923,485	477,841	586,702	17.7[2]	20.1[2]	231,048	310,318	8.6[3]	10.6[3]

Notes:

(1) Inter-segment elimination mainly arises from inter-segment services provided to our construction contracting segment by our design, survey and consultancy segment.

(2) Total gross margin is calculated based on the total gross profit after inter-segment elimination divided by total revenue after inter-segment elimination.

(3) Total PBT Margin is calculated based on total profit before tax after inter-segment elimination divided by total revenue after inter-segment elimination.

Year ended 31 December 2012 compared to year ended 31 December 2011

As compared to the year ended 31 December 2011, our revenue in the year ended 31 December 2012 decreased by 21.0%. However, our gross profit for the year ended 31 December 2012 increased by 7.1% as compared to the year ended 31 December 2011. Our gross margin also increased from 13.1% in 2011 to 17.7% in 2012.

Revenue

Our revenue decreased by RMB716.12 million, or 21.0%, from RMB3,409.66 million in 2011 to RMB2,693.54 million in 2012. The decrease in our revenue was due to the decrease in revenue derived from the construction contracting segment, partially offset by an increase in revenue derived from the design, survey and consultancy segment.

Revenue from the design, survey and consultancy segment

Revenue from our design, survey and consultancy segment increased by RMB104.93 million, or 9.0%, from RMB1,164.95 million in 2011 to RMB1,269.88 million in 2012. This increase was mainly due to an increase in business activities in industrial and civil construction and municipal engineering projects, as discussed below.

- Urban rail transit engineering projects: revenue from urban rail transit engineering projects increased by RMB33.91 million, or 4.0%, to RMB871.96 million in 2012 from RMB838.05 million in 2011. Our revenue from urban rail transit engineering projects in 2012 was largely in line with 2011.

- Industrial and civil construction and municipal engineering projects: revenue from industrial and civil construction and municipal engineering projects increased by RMB71.04 million, or 21.7%, to RMB397.93 million in 2012 from RMB326.89 million in 2011. This increase was primarily due to the accelerated design and survey progress of the major industrial and civil construction and municipal engineering projects in 2012, such as Dong Ba construction project and the community living project in Angola.

Revenue from the construction contracting segment

Revenue from the construction contracting segment decreased by RMB820.05 million, or 36.4%, to RMB1,435.26 million in 2012 from RMB2,255.31 million in 2011. This was primarily due to the slowdown in the growth of investment in Beijing urban rail transit related projects from the Beijing municipal government, with fewer urban rail line constructions commencing in 2012 as compared with 2011, and the fact that we did not have any major construction projects in 2012 generating a similar level of revenue as in 2011. In particular, a majority of the revenue generated from Fangshan Line Project (with a total contract value of RMB1,161.58 million) was recognised in 2011 and we did not have any similar projects from which we recognised a similar level of revenue in 2012.

Cost of Sales

The cost of sales decreased by RMB747.76 million, or 25.2%, to RMB2,215.70 million in 2012 from RMB2,963.46 million in 2011. This decrease was due to a significant decrease in the cost of sales for our construction contracting segment, partially offset by an increase in the cost of sales for our design, survey and consultancy segment.

- The cost of sales for the design, survey and consultancy segment increased by RMB69.48 million, or 8.8%, to RMB861.01 million in 2012 from RMB791.53 million in 2011. This increase was mainly due to the increase in labour costs and subcontracting costs arising from the increase in business activities of our design, survey and consultancy segment for reasons discussed above.

- The cost of sales for the construction contracting segment decreased by RMB816.28 million, or 37.4%, to RMB1,366.11 million in 2012 from RMB2,182.39 million in 2011. This decrease was due to a significant decrease in subcontracting costs and cost of raw materials as a result of a decrease in construction contracting work.

Gross Profit

Gross profit increased by RMB31.64 million, or 7.1%, to RMB477.84 million in 2012 from RMB446.20 million in 2011. Our gross margin rose from 13.1% in 2011 to 17.7% in 2012. Increases in both gross profit and gross margin were mainly due to the increase in the percentage of our operating revenue attributable to our design, survey and consultancy segment during the same period from 34.1% to 46.9%.

- Gross profit of the design, survey and consultancy segment in 2012 increased by RMB35.46 million, or 9.5%, to RMB408.88 million from RMB373.42 million in 2011. Gross margin of the design, survey and consultancy segment remained relatively stable at 32.2% in 2012 compared with 32.1% in 2011. The increase in gross profit was mainly due to the increase in business activities of our design, survey and consultancy segment for reasons mentioned above.

- Gross profit of the construction contracting segment decreased by RMB3.78 million to RMB69.14 million for the year of 2012, representing a decrease of 5.2% as compared to RMB72.92 million for the year of 2011. Gross margin of the construction contracting segment increased to 4.8% for the year of 2012 from 3.2% for the year of 2011. The decrease in gross profit was mainly due to the decrease in business activities of our construction contracting segment for the reasons discussed above. The increase in gross margin of this business segment was mainly because the rate of decrease in cost of sales exceeded the rate of decrease in gross profit in this segment.

Other Income and Gains

Our other income and gains increased by RMB10.81 million, or 140.4%, from RMB7.70 million in 2011 to RMB18.51 million in 2012. This increase was mainly due to a RMB13.18 million gain on the disposal of our equity interest in Beijing Huajie Construction Supervision Co., Ltd. (北京華捷建設監理有限公司) in February 2012 and there was no comparable gain on disposal in 2011.

Selling and Distribution Expenses

Selling and distribution expenses increased by RMB3.09 million, or 9.4%, from RMB32.97 million in 2011 to RMB36.06 million in 2012. This increase was mainly due to a significant increase in salaries, allowances, bonus and benefits of marketing department as we expanded our business development efforts.

Administrative Expenses

Administrative expenses increased by RMB6.62 million, or 3.5%, from RMB187.23 million in 2011 to RMB193.85 million in 2012. The increase in administrative expenses was mainly because in 2012 we began to rent properties and the corresponding land located at No.7 Toutiao, Nan Lishi Road, Xicheng District, Beijing and offices of Chengjian Mansion Office Tower located at No.18 North Taiping Zhuang Road, Haidian District, Beijing, to meet our increased business needs, resulting in a significant increase in rental and property management expenses.

Other Expenses

Other expenses increased by RMB2.70 million, or 9.2%, from RMB29.45 million in 2011 to RMB32.15 million in 2012. This increase was mainly due to a increase in the respective provision for bad debts relating to trade and other receivables for the period.

Finance Costs

Finance costs increased by RMB0.16 million, or 7.0%, from RMB2.27 million in 2011 to RMB2.43 million in 2012. This was mainly due to the increase in interest expenses in connection with our increased borrowings from BUCG.

Share of Profits and Losses of Joint Ventures and Associates

Share of profits of joint ventures and associates decreased from a gain of RMB0.70 million in 2011 to a loss of RMB0.83 million for the year of 2012, which mainly reflected losses from our investment in Rail Transit Design Institute.

Income Tax Expense

Income tax expense decreased by RMB7.07 million, or 17.6%, from RMB40.07 million in 2011 to RMB33.00 million in 2012. The decrease in income tax expense was mainly due to the tax benefits the Company and Exploration Institute enjoyed and the effects of changes in the tax rate, resulting in a decrease in the effective tax rate from 19.8% in 2011 to 14.3% in 2012.

Profit for the Period

As a result of the foregoing, profit for the period increased by RMB35.44 million, or 21.8%, from RMB162.61 million in 2011 to RMB198.05 million in 2012. The net profit margin increased to 7.4% in 2012 from 4.8% in 2011.

Business Segment Analysis

The following table sets forth an analysis on revenue, gross profit, gross margin, profit before tax and PBT Margin of each business segment for the periods indicated:

	Revenue		Gross profit		Gross margin		Profit before tax		PBT Margin	
	Year ended 31 December		Year ended 31 December		Year ended 31 December		Year ended 31 December		Year ended 31 December	
	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	%	%	(RMB'000)	(RMB'000)	%	%
Design, survey and consultancy	1,164,947	1,269,882	373,422	408,877	32.1	32.2	165,304	197,873	14.2	15.6
Construction contracting	2,255,312	1,435,256	72,923	69,142	3.2	4.8	37,526	33,353	1.7	2.3
Sub-total	3,420,259	2,705,138	446,345	478,019			202,830	231,226		
Inter-segment elimination(1)	(10,604)	(11,598)	(149)	(178)			(149)	(178)		
Total	3,409,655	2,693,540	446,196	477,841	13.1(2)	17.7(2)	202,681	231,048	5.9(3)	8.6(3)

Notes:

(1) Inter-segment elimination mainly arises from the inter-segment services provided to our construction contracting segment by our design, survey and consultancy segment.

(2) Total gross margin is calculated based on the total gross profit after inter-segment elimination divided by total revenue after inter-segment elimination.

(3) Total PBT Margin is calculated based on total profit before tax after inter-segment elimination divided by total revenue after inter-segment elimination.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

The table below summarises the information of our condensed consolidated cash flow statements for the periods indicated:

	Year ended 31 December		
	2011	2012	2013
	(RMB'000)	(RMB'000)	(RMB'000)
Net cash flows from/(used in) operating activities	(431,880)	(217,458)	587,104
Net cash flows from/(used in) investing activities	267,412	572,238	(25,969)
Net cash flows from/(used in) financing activities	234,518	(242,609)	479,575
Net increase in cash and cash equivalents	70,050	112,171	1,040,710
Cash and cash equivalents at beginning of the year	268,138	336,880	448,808
Effect of changes in exchange rate on cash and cash equivalents	(1,308)	(243)	(3,373)
Cash and cash equivalents at end of the year	336,880	448,808	1,486,145

Net cash flows from/(used in) operating activities

For the year ended 31 December 2013, our net cash generated from operating activities was RMB587.10 million. This was mainly due to a decrease of RMB900.23 million in amounts due from contract customers for the year ended 31 December 2013, which primarily reflects the recognised payments in connection with Yizhuang Line Project, partially offset by (i) a decrease in other payables, advance from customers and accruals of RMB161.25 million, which primarily reflects a substantial decrease in new advances from customers because (a) more projects had reached scheduled payment milestones and, as a result, more payments were confirmed by the project owners and (b) some project owners tightened control over project payment approval due to the temporary capital constraints of a number of our customers due to the general macroeconomic environment; and (ii) an increase in trade and bills receivables of RMB366.17 million due to an increase in trade receivables partially offset by partial settlement in connection with Yizhuang Line Project.

Our net cash used in operating activities for the year of 2012 was RMB217.46 million. This was mainly due to (i) an increase of RMB364.54 million in amounts due from contract customers reflecting a greater percentage of completion of our existing projects and an increase in the number of new contracts coupled with a delay in progress billing due to temporary capital constraints of a number of our customers as a result of the relatively unfavourable macroeconomic environment and (ii) a decrease in trade payables of RMB288.88 million for the year of 2012 reflecting more payments to our subcontractors, partially offset by an increase in other payables, advance from customers and accruals of RMB138.23 million reflecting large advances received from Angola RED Development Project and an urban rail project in Nanjing.

Our net cash used in operating activities for the year of 2011 was RMB431.88 million. This was mainly due to (i) an increase in trade and bills receivables of RMB564.64 million due to the delay in settlement of trade receivables as a result of the temporary capital constraint of our customers due to relatively unfavourable macroeconomic environment, and (ii) an increase of RMB284.75 million in amounts due from contract customers reflecting a greater percentage of completion of our existing projects and an increase in the number of new contracts, partially offset by an increase in trade payables of RMB229.61 million due to the delay in settlement of our payments to the subcontractors and raw materials suppliers.

Net cash flows from/(used in) investing activities

For the year ended 31 December 2013, our net cash used in investing activities was RMB25.97 million. This was mainly because (i) the time deposits with maturity over three months increased by RMB304.58 million; and (ii) cash used in acquisition of properties, plant and equipment in the amount of RMB22.30 million, partially offset by recovery of the amount originally deposited in BUCG, resulting in a cash inflow from investing activities of RMB318.96 million for the year ended 31 December 2013.

In 2012, our net cash generated from investing activities were RMB572.24 million. This was mainly because (i) BUCG's repayment of advances from us resulting in additional cash inflow of RMB600.00 million; (ii) we recovered the amount due from BUCG, resulting in additional cash inflow from investing activities of RMB67.06 million; and (iii) the disposal of our equity interest in Beijing Huajie Construction Supervision Co., Ltd. (北京華捷建設監理有限公司) resulted in additional cash inflow of RMB16.11 million. This was partially offset by cash used in acquisition of properties, plant and equipment in the amount of RMB68.33 million.

In 2011, our net cash generated from investing activities was RMB267.41 million. This was mainly because (i) we recovered the amount due from BUCG, resulting in additional cash inflow from investing activities of RMB403.92 million; and (ii) the disposal of our investments in other receivables resulted in additional cash inflow of RMB10.18 million. This was partially offset by (i) our advances to BUCG, which resulted in cash outflow of RMB72.00 million, and (ii) cash used in acquisition of properties, plant and equipment in the amount of RMB75.13 million.

Net cash flows from/(used in) financing activities

For the year ended 31 December 2013, our net cash generated from financing activities was RMB479.58 million. This was mainly due to the cash inflow of RMB703.16 million that resulted from the capital injection from the Strategic Investors, partially offset by a decrease in amounts due to BUCG in the amount of RMB221.62 million, which reflected our repayment of BUCG's lendings to us. For more details regarding the Strategic Investors, please refer to "History, Reorganisation and Corporate Structure" in this [**REDACTED**].

In 2012, our net cash used in financing activities was RMB242.61 million. This was mainly due to (i) the repayment of borrowings from BUCG of RMB250.00 million in 2012; and (ii) the dividend payment to shareholders of RMB59.58 million. The decrease was partially offset by the cash inflow of RMB100.00 million that arose from the borrowings from BUCG in 2012.

In 2011, our net cash generated from financing activities was RMB234.52 million. This was mainly due to the cash inflow of RMB876.72 million that arose from the borrowings from BUCG in 2011. This cash inflow was partially offset by (i) the cash outflow of RMB602.35 million that arose from our repayment of borrowings to BUCG in 2011, and (ii) the dividend payment to shareholders of RMB36.26 million.

Capital Resources and Cash Management

We from time to time need to purchase raw materials and equipment necessary to undertake design general contracting, PC contracting and EPC contracting projects. During the Track Record Period, we mainly relied on cash generated from operating activities, cash generated from investing activities, and capital injection from Strategic Investors to meet our working capital requirements. Our operating results and cash flow affect our liquidity. For reasons discussed above, for the years ended 31 December 2011 and 2012, we recorded negative cash flows from operating activities of RMB431.88 million and RMB217.46 million, respectively. However, for the year ended 31 December 2013, we generated positive cash flow from operating activities of RMB587.10 million. Based on the below, our Directors have determined that our working capital is sufficient to meet our current requirements and for the next 12 months commencing from the date of this [**REDACTED**]: (i) our strong liquidity position: our net current assets as at 31 December 2011, 2012, 2013 and 30 April 2014 were RMB269.28 million, RMB304.74 million, RMB1,197.54 million, and RMB1,294.11 million, respectively. Our cash and bank balances and pledged deposits as at 31 December 2011, 2012, 2013 and 30 April 2014 were RMB370.87 million, RMB480.03 million, RMB1,817.76 million, and RMB1,718.59 million, respectively; and (ii) available credit facilities: as at 30 April 2014, we had available financing facilities from a number of PRC financial institutions (such as the China Construction Bank, Bank of Communications, and China Everbright Bank) in the aggregate amount of approximately RMB1.69 billion, of which approximately RMB899.23 million was unutilised. All of our available financing facilities were unsecured, and the utilised portion of the facilities was for the purposes of prepayment guarantees and performance guarantees. Upon an independent review of the relevant information and documents, as well as through discussions with the Company, the Joint Sponsors concur with the Directors' view stated above.

As we continue to expand the scale of our operations, our cash outflow is expected to be primarily driven by the increase in the cost of sales. We expect to fund such cash outflow requirements with our existing cash and cash equivalents and cash generated from our operations. In addition, we plan to use part of the proceeds from the [**REDACTED**] to finance our various working capital needs. We will also continue to rely on cash flow generated from our operating activities. We may also utilise our unutilised financing facilities, and attempt to secure various financing tools, such as banking facilities, to fund our working capital needs in the future. Except for such plans as disclosed above, we currently do not have any plans for material external debt financing. As at the Latest Practicable Date, our Directors confirm that they are not aware of factors that may cause substantial changes in the mix and relative cost of capital resources.

We carefully consider our position and ability to obtain further financing when making significant capital commitments and arranging payment for operating activities. Given suitable conditions, we intend to raise additional funds through debt or equity financing.

We seek to manage our working capital to ensure collection and deployment of our funds. We use our annual budget, supplemented by our cash flow projections, to forecast and manage our cash inflows and outflows. We also use a budgeting system to monitor our cash flow in connection with subcontracting costs, raw material costs, financings, taxes and other expenses. In addition, we seek to manage our future cash flow and reduce our exposure to unexpected adverse changes in economic conditions in a number of ways, including by adjusting our bidding strategy to ensure that we have available resources to finance our projects, implementing cost control measures, and renegotiating payment terms with general contractors and project owners as necessary.

Our ability to generate cash flow and obtain adequate funding will affect our liquidity, and in turn affect our financial condition and results of our operations. For further information, please refer to "Risk Factors — Risks Relating to Our Businesses and Our Industry — We had negative net operating cash flows for the years ended 31 December 2011 and 2012. If we record negative operating cash flows in the future, we may become unable to meet our payment obligations, and our business, financial position, results of operations and prospects may be materially and adversely affected" in this [**REDACTED**].

ILLUSTRATIONS FROM THE EXTRACTS FROM THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The table below sets out the current assets and liabilities as at the dates indicated.

	As at 31 December			As at 30 April
	2011	2012	2013	2014
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
				(Unaudited)
Current Assets:				
Prepaid land lease payments	—	710	710	710
Inventories	15,099	23,275	21,366	20,584
Trade and bills receivables	1,155,563	1,055,911	1,393,723	1,291,514
Prepayments, deposits and other receivables	1,188,700	591,194	210,143	239,305
Amounts due from contract customers	1,677,841	2,172,297	1,340,086	1,310,397
Pledged deposits	33,987	31,220	27,032	26,984
Cash and bank balances	336,880	448,808	1,790,728	1,691,609
Total current assets	4,408,070	4,323,415	4,783,788	4,581,103
Current Liabilities:				
Trade payables	1,902,276	1,613,393	1,381,210	1,217,002
Amounts due to contract customers	464,739	598,217	674,103	691,791
Other payables, advance from customers and accruals	1,652,364	1,663,940	1,349,592	1,184,552
Provisions for supplementary retirement benefits	4,682	5,169	5,250	5,250
Tax payable	114,729	137,953	176,097	188,394
Total current liabilities	4,138,790	4,018,672	3,586,252	3,286,989
Net Current Assets	269,280	304,743	1,197,536	1,294,114

Our net current assets are the difference between our total current assets and our total current liabilities. As at 31 December 2011, 2012, 2013 and 30 April 2014, our net current assets amounted to

RMB269.28 million, RMB304.74 million, RMB1,197.54 million and RMB1,294.11 million, respectively. Our net current assets increased steadily during the Track Record Period, mainly because we relied on our operating cash flow to finance our operating liabilities and our net profits continued to grow during the Track Record Period. Despite an increase in amounts due from contract customers from RMB1.68 billion as at 31 December 2011 to RMB2.17 billion as at 31 December 2012, it was offset by, among other things, a decrease in prepayments, deposits and other receivables, resulting in a decrease in total current assets from RMB4.41 billion as at 31 December 2011 to RMB4.32 billion as at 31 December 2012. However, trade payables decreased from RMB1.90 billion as at 31 December 2011 to RMB1.61 billion as at 31 December 2012, and total current liabilities decreased from RMB4.14 billion as at 31 December 2011 to RMB4.02 billion as at 31 December 2012. As a result, our net current assets increased from RMB269.28 million as at 31 December 2011 to RMB304.74 million as at 31 December 2012, representing an increase of RMB35.46 million or 13.2%. Our net current assets substantially increased from RMB304.74 million as at 31 December 2012 to RMB1,197.54 million as at 31 December 2013, representing an increase of RMB892.80 million or 293.0%. This increase was primarily due to the capital injection from the Strategic Investors in 2013.

Contract Work in Progress

The table below sets out our contract work in progress as at the dates indicated.

	As at 31 December		
	2011	2012	2013
	(RMB'000)	(RMB'000)	(RMB'000)
Contract cost incurred plus recognised profits less recognised losses to date	15,124,867	17,603,215	20,861,896
Less: Progress billings received and receivable	(13,911,765)	(16,029,135)	(20,195,913)
Contract work in progress*	1,213,102	1,574,080	665,983
Amounts due from contract customers	1,677,841	2,172,297	1,340,086
Amounts due to contract customers	(464,739)	(598,217)	(674,103)
Contract work in progress*	1,213,102	1,574,080	665,983

* Contract work in progress reflects the difference between (a) contract cost incurred plus profits recognized less losses recognised and (b) progress billings received and receivable. For each individual contract, if (a) exceeds (b), the difference will be recorded as amounts due from contract customers and, conversely, if (b) exceeds (a), the difference will be recorded as amounts due to contract customers. Therefore, as calculated, contract work in progress for all projects also equals amounts due from contract customers less amounts due to contract customers for all projects.

Our design, survey and consultancy contracts and construction contracts generally contain a payment schedule setting out details of various project milestones, pursuant to which we receive payments from our customers. Such fees billed pursuant to the payment schedules are not necessarily calculated based on the percentage of completion of the project. Therefore, the revenue we recognise is different from the fees we have billed. Any unbilled balances are categorised as amounts due from customers. Further, we immediately increase our loss provisions accordingly when losses are expected to arise from the contract work in progress account.

We do not recognise revenue unless upon completion of a project the amounts can be estimated reliably. Furthermore, amounts for progress billings for work in progress under our contracts are determined on a case-by-case basis. After the cost of our contract work and related amounts payable or payments are incurred and recorded, the corresponding revenues will be recognised using the percentage of completion method and the balance of contract work in progress will increase by the same amount. Furthermore, after we have billed our customers according to the agreed payment schedule, trade receivables will increase and the balance of contract work in progress will decrease by the same amount.

Our contract work in progress increased by RMB360.98 million, or 29.8%, from RMB1,213.10 million as at 31 December 2011 to RMB1,574.08 million as at 31 December 2012. However, the contract work in progress as at 31 December 2013 decreased by RMB908.10 million, or 57.7%, to RMB665.98 million from RMB1,574.08 million as at 31 December 2012, mainly due to major projects being billed.

Trade and Bills Receivables

As at 31 December 2011, 2012 and 2013, our trade and bills receivables amounted to RMB1,172.69 million, RMB1,059.87 million and RMB1,407.33 million, respectively. Trade and bills receivables consist of trade receivables, bills receivable and provisions for impairment of trade receivables. Amounts due from contract customers will be converted into trade receivables upon billing. Our trade receivables decrease correspondingly upon settlement with customers. We generally do not hold any collateral as security and our trade receivables do not bear any interest.

Level and Aging Analysis of Trade and Bills Receivables

The table below sets out our trade and bills receivables as at the dates indicated:

	As at 31 December		
	2011	**2012**	**2013**
	(RMB'000)	**(RMB'000)**	**(RMB'000)**
Trade receivables-short-term	1,195,383	1,171,884	1,527,101
Trade receivables-long-term	17,130	3,956	13,609
Provisions for impairment	(92,693)	(121,673)	(140,378)
Sub-total	1,119,820	1,054,167	1,400,332
Bills receivable	52,873	5,700	7,000
Total	1,172,693	1,059,867	1,407,332

The table below sets out the aging analysis on trade receivables as at the dates indicated:

	As at 31 December		
	2011	2012	2013
	(RMB'000)	(RMB'000)	(RMB'000)
Within 3 months	636,850	350,055	618,892
3 to 6 months	122,634	145,334	165,414
6 to 9 months	79,036	97,521	107,410
9 months to 1 year	107,611	145,876	139,755
1 to 2 years	105,150	227,945	215,250
2 to 3 years	53,262	50,270	101,229
Over 3 years	15,277	37,166	52,382
Total	1,119,820	1,054,167	1,400,332

Increases or decreases in our trade receivables are closely related to inspections, valuations billing and progress payments by project owners. Our trade and bills receivables increased from RMB1,059.87 million as at 31 December 2012 to RMB1,407.33 million as at 31 December 2013, mainly due to the corresponding increase in assessment as carried out by project owners, as well as the increase in the percentage of completion of projects coupled with an increase in business activities. Our trade and bills receivables decreased by RMB112.82 million, or 9.6%, from RMB1,172.69 million as at 31 December 2011 to RMB1,059.87 million as at 31 December 2012. Such decrease was mainly due to increased payments from the project owners of certain projects, such as Fangshan Line Project and Yizhuang Line Project.

We conduct an annual evaluation of the clients' credit worthiness based on their reputation and the significance of our work with such clients. We will consider various factors such as the client's payment history, existence of long term cooperation with the client, whether the client is a state-owned entity and so on. The credit period that we grant to our clients is generally six months. However, based on the evaluation result and depending on our business development objectives, we may allow additional flexibility by offering certain clients a credit period longer than six months.

During the Track Record Period, a majority of our trade receivables were collected within one year. As at 31 December 2011, 2012 and 2013, the trade receivables aged more than one year accounted for 15.5%, 29.9% and 26.3% of our total trade receivables, respectively. Trade receivables more than one year overdue were mainly caused by payment delays from our customers and long construction periods. Our trade receivables are not interest-bearing. As at 31 December 2011, 2012 and 2013, 56.8%, 43.2% and 40.3%, respectively, of the total trade receivables are from our largest customer, the Rail Transit Company.

We continue to strengthen the management of our trade receivables and work to reduce impairment risk. In addition, after we have conducted a full review of our trade receivables and the recoverability of each item, provisions for impairment are made on long-overdue trade receivables to ensure our asset quality. As at 31 December 2011, 2012 and 2013, the provisions for impairment of trade receivables amounted to RMB92.69 million, RMB121.67 million and RMB140.38 million, respectively, accounting for 7.6%, 10.3% and 9.1% of our total trade receivables, respectively.

As at 31 December 2013, our trade and bills receivables amounted to RMB1,407.33 million, of which RMB482.29 million or 34.3% had been settled by 30 April 2014.

Average Turnover Days of Trade and Bills Receivables

The table below sets forth our average turnover days of trade and bills receivables for the periods indicated:

	Year ended 31 December		
	2011	**2012**	**2013**
Average turnover days of trade and bills receivables(1)	95	150	153

Note:

(1) Average turnover days of trade and bills receivables equals the average trade and bills receivables divided by revenues multiplied by 365 days. Average trade and bills receivables equals the sum of the opening balance of trade and bills receivables of a fiscal year plus the closing balance of the trade receivables of the same fiscal year, divided by two.

Our average turnover days of trade and bills receivables increased from 95 days for the year ended 31 December 2011 to 150 days for the year ended 31 December 2012 and further to 153 days for the year ended 31 December 2013. The increase was mainly because the relatively unfavorable macroeconomic environment has increased capital strain on certain project owners, resulting in their more complicated procedures for the review and approval of progress billings causing delays in payments.

Level and Aging Analysis of Amounts of Retentions in Trade Receivables

The table below sets out the amounts of retentions held by customers for contract works included in trade receivables as at the dates indicated:

	As at 31 December		
	2011	**2012**	**2013**
	RMB'000	**RMB'000**	**RMB'000**
Amounts of retentions in trade receivables	21,193	25,149	21,628

The table below sets out the aging analysis on amounts of retentions in trade receivables:

	As at 31 December		
	2011	2012	2013
	(RMB'000)	(RMB'000)	(RMB'000)
Within 3 months	17,130	3,956	—
3 months to 1 year	—	—	13,609
1 to 2 years	4,063	17,130	3,956
2 to 3 years	—	4,063	—
3 to 4 years	—	—	4,063
Total	21,193	25,149	21,628

The amounts of retentions in trade receivables reflect the retention monies for our construction contracting projects. Unrecovered retentions will be carried over to the next financial period, while recovered retentions will be subtracted from the total amount accordingly. As at 31 December 2011, 2012 and 2013, our retentions in trade receivables were RMB21.19 million, RMB25.15 million and RMB21.63 million, respectively.

Prepayments, deposits and other receivables

The table below sets forth a breakdown of prepayments, deposits and other receivables of the Company as at the dates indicated:

	As at 31 December		
	2011	2012	2013
	(RMB'000)	(RMB'000)	(RMB'000)
Prepayments to suppliers	105,924	143,542	74,254
Deposits and other receivables	1,092,576	462,835	161,225
Interest receivables	769	706	2,389
Dividend receivables	306	102	151
Others	15,187	13,797	4,534
Provision for impairment of deposits and other receivables	(12,624)	(11,684)	(13,812)
	1,202,138	609,298	228,741
Portion classified as non-current assets	(13,438)	(18,104)	(18,598)
	1,188,700	591,194	210,143

Our prepayments to suppliers mainly consist of prepayments for construction costs and raw materials under construction contracts. Prepayments to suppliers usually increase as the number of construction projects and the number of projects entering the main construction stage increase. As fewer construction contracting projects entered the main construction stage in 2013, prepayments to suppliers as at 31 December 2013 decreased substantially as compared to that as at 31 December 2012. Our prepayments to suppliers increased from RMB105.92 million as at 31 December 2011 to RMB143.54 million as at 31 December 2012, mainly because one of our major projects in 2012, the Beijing Rail Transit Line 7 Project, entered the main construction stage.

Deposits consist of bidding guarantees, performance guarantees as well as various other project guarantees. Other receivables include amounts due from BUCG, advance payments to subcontractors and other borrowings. Our deposits and other receivables was RMB462.84 million as at 31 December 2012 and it decreased substantially to RMB161.23 million as at 31 December 2013 as amounts due from BUCG were reduced to nil as at 31 December 2013. Deposits and other receivables decreased from RMB1,092.58 million as at 31 December 2011 to RMB462.84 million as at 31 December 2012, and further decreased to RMB161.23 million as at 31 December 2013. Such decreases were also due to the decrease in amounts due from BUCG. The RMB318.96 million due from BUCG to the Company as at 31 December 2012 had been fully repaid as at 31 December 2013.

Available-for-sale Investments

The table below sets forth our available-for-sale investments as at the dates indicated:

	As at 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Unlisted equity investments, at cost	4,950	4,950	4,950
Impairment	(1,300)	(1,300)	(1,300)
Investments, net	3,650	3,650	3,650

We have made a net investment of RMB3.65 million in available-for-sale investments and held such investment throughout the Track Record Period. The investment consisted of unlisted equity securities issued by private entities established in Mainland China, measured at cost less impairment at each reporting date.

We have established a policy to improve internal control and risk management of our investment products. According to the policy, our investment products will be classified into four categories: tradable financial product, investment to be held until maturity, receivables such as loans and available-for-sale financial product, on the basis of our purpose and intention regarding such investment products. Our finance department is required to make a quarterly report to the Board or other decision-making body regarding the value of our investment products. We are required to strictly follow relevant internal procedures if we are to make an investment or obtain a loan through our investment products. Furthermore, our Audit Committee, Supervisory Committee, independent non-executive Directors and legal and audit department all have the right to assess whether the acquisition, application and valuation of our investment products is fair and to monitor our risk management and risk evaluation process.

Inventories

Our inventories mainly consist of raw materials and other spare parts and consumables required in our construction contracting projects.

The table below sets out the inventories level and average inventories turnover days of the Company as at dates or for the periods indicated:

	As at 31 December		
	2011	2012	2013
	(RMB'000)	(RMB'000)	(RMB'000)
Raw materials	9,537	19,936	18,824
Spare parts and consumables	5,562	3,339	2,542
	15,099	23,275	21,366

	Year ended 31 December		
	2011	2012	2013
Average inventories turnover days(1)	2	3	3

Note:

(1) Average inventories turnover days equals the average inventories for the relevant period divided by the cost of sales for the same period multiplied by 365 days. Average inventories equals the inventories at the beginning of the fiscal year plus the inventories at the end of the same fiscal year divided by two.

Our inventories increased by RMB8.18 million, or 54.2%, from RMB15.10 million as at 31 December 2011 to RMB23.28 million as at 31 December 2012. Our inventories slightly decreased by RMB1.91 million, or 8.2%, to RMB21.37 million as at 31 December 2013. The significant increase in our inventory from 31 December 2011 to 31 December 2012 was mainly the result of our purchase of spare parts for shield tunneling machines and other materials required in preparation for our current and future construction contracting projects. The fluctuation in our inventories from 31 December 2012 to 31 December 2013 was due to the fact that in 2013, a number of our projects entered the stage of construction requiring the consumption of shield tunneling machine spare parts, and we consumed more spare parts and raw materials than we replenished.

During the Track Record Period, our average inventories turnover days ranged from 2 to 3 days. This was mainly due to our process controls related to our construction progress informed by best practices learned from our experience in project execution.

Trade Payables

Our trade payables include amounts due from us to subcontractors and suppliers. Trade payables are normally settled within six to nine months.

Level and Aging Analysis of Trade Payables

The table below sets out our trade payables as at the dates indicated:

	As at 31 December		
	2011	2012	2013
	(RMB'000)	(RMB'000)	(RMB'000)
Trade Payables	1,902,276	1,613,393	1,381,210

The table below sets out aging analysis for trade payables as at the dates indicated:

	As at 31 December		
	2011	2012	2013
	(RMB'000)	(RMB'000)	(RMB'000)
Within 6 months	772,345	585,236	667,132
6 months to 1 year	384,183	150,781	249,247
1 to 2 years	575,513	354,777	210,466
2 to 3 years	135,597	408,401	120,834
Over 3 years	34,638	114,198	133,531
Total	1,902,276	1,613,393	1,381,210

Our trade payables decreased by RMB288.89 million, or 15.2%, from RMB1,902.28 million as at 31 December 2011 to RMB1,613.39 million as at 31 December 2012. Our trade payables further decreased by RMB232.18 million, or 14.4%, from RMB1,613.39 million as at 31 December 2012 to RMB1,381.21 million as at 31 December 2013. Pursuant to the contracts we normally enter into with our subcontractors, we pay subcontracting fees to our subcontractors upon receipt of progress payments from project owners and upon completion of quality inspection for milestone payments. It is normally provided in our subcontracting contracts that we would pay subcontracting fees after receiving progress payments from project owners. Therefore, any delay in payments from project owners will slow down our payments to subcontractors and increase our trade payables. The decrease in the trade payables as at 31 December 2012 and 31 December 2013 was due to the corresponding decrease in the number of construction projects in the main construction stage and the increase in settlement of payment for our projects.

As at 31 December 2011, 2012 and 2013, our trade payables aged more than three years accounted for 1.8%, 7.1% and 9.7% of the total trade payables, respectively. Our trade payables aged more than three years increased from RMB34.64 million as at 31 December 2011 to RMB114.20 million as at 31 December 2012 and further to RMB133.53 million as at 31 December 2013. This increase in our trade payables aged more than three years was mainly due to the capital constraints of certain project owners by the relatively unfavorable macroeconomic environment, adversely affecting their payment schedules and in turn our payment to our subcontractors and suppliers. The average age of our trade payables also increased correspondingly.

As at 31 December 2013, our trade payables amounted to RMB1,381.21 million, of which RMB461.69 million or 33.4% had been settled by 30 April 2014.

Average Turnover Days of Trade Payables

The table below sets forth our average turnover days of trade payables for the periods indicated:

	Year ended 31 December		
	2011	**2012**	**2013**
Average turnover days of trade payables [(1)]	220	290	234

Note:

(1) Average trade payables turnover days equals the average trade payables for the fiscal year divided by cost of sales multiplied by 365 days. Average trade payables equals the trade payables at the beginning of the fiscal year plus the trade payables as at the end of fiscal year divided by two.

Our average turnover days of trade payables increased from 220 days for the year ended 31 December 2011 to 290 days for the year ended 31 December 2012 mainly due to difficulties in collecting payments as a result of the temporary capital constraint of our customers due to relatively unfavorable macroeconomic environment. Our average turnover days of trade payables decreased from 290 days in 2012 to 234 days in 2013, mainly due to our timely payment to our subcontractors as a result of assessment and billing of construction projects for the period and timely payments from project owners, resulting in a corresponding decrease in trade payables and average turnover days of trade payables for our construction contracting segment.

The contracts we usually enter into with our subcontractors and the relevant regulations require us to conduct a quality inspection of the subcontracting work before the subcontracting fees are paid. For construction contracting projects, the quality inspection of the subcontracting work is usually carried out after reaching certain milestones while the progress inspection conducted by the project owners usually take place every month. Project owners usually make progress payments after their progress inspection, while we may not have to make payments to subcontractors if the milestones have not been reached or if the quality inspection has not been certified. Therefore, there are always time differences between our receipt of progress payments and our payment of subcontracting fees, which caused the average turnover days of trade payables being longer than the average turnover days of trade and bills receivables.

Other Payables, Advances from Customers and Accruals

The table below sets out a breakdown of our other payables, advance from customers and accruals as at the dates indicated:

	As at 31 December		
	2011	2012	2013
	(RMB'000)	(RMB'000)	(RMB'000)
Advances from customers	757,717	903,685	807,915
Accrued salaries, wages and benefits	171,497	165,877	195,917
Other taxes payables	105,966	130,672	137,402
Retention payables	92,553	95,488	81,355
Dividends payable to shareholders	—	—	75,068
Dividends payable to non-controlling interests	—	1,133	185
Other payables	560,286	380,650	68,053
	1,688,019	1,677,505	1,365,895
Portion classified as non-current liabilities	(35,655)	(13,565)	(16,303)
	1,652,364	1,663,940	1,349,592

Advances from customers represent amounts paid to us by our customers at the beginning of the project phases according to the terms of relevant contracts. Such advances are required in order for us to pay our subcontractors and suppliers. These advances are related to the general progress of a project at a specific time. As we usually receive advances at the beginning of a project, if there are more projects in their initial stages at a specific time, our advances will increase accordingly. On the other hand, if there are more projects in the final stages, our advances will decrease accordingly. Our advances decreased from RMB903.69 million as at 31 December 2012 to RMB807.92 million as at 31 December 2013, primarily because the completed portions of certain construction projects were assessed by the project owners in 2013. Advances from customers increased from RMB757.72 million as at 31 December 2011 to RMB903.69 million as at 31 December 2012, mainly due to the large advances received for certain projects in 2012.

Accrued salaries, wages and benefits represent compensation earned by our employees to be paid in the subsequent period. Accrued salaries, wages and benefits decreased RMB5.62 million, or 3.3%, from RMB171.50 million as at 31 December 2011 to RMB165.88 million as at 31 December 2012, and it increased to RMB195.92 million as at 31 December 2013. Such increases were mainly due to increases in employee bonuses.

Other taxes payables represent business tax and other taxes.

Other payables include amounts due to BUCG, fixed assets purchase payables and tenancy and property fees.

COMMITMENTS

Capital Commitments

As at 31 December 2011, 2012 and 2013, we had the following capital commitments:

	As at 31 December		
	2011	2012	2013
	(RMB'000)	(RMB'000)	(RMB'000)
Capital expenditure in respect of			
Property, plant and equipment:			
— Contracted, but not provided for	10,132	—	45,000
— Authorised, but not contracted for	27,059	8,295	400
	37,191	8,295	45,400

Operating Lease Commitments

Our operating lease commitments as at 31 December 2011, 2012 and 2013 mainly represented leased office buildings, residential properties and machine and equipment. Our lease agreements normally range from one to ten years.

The table below sets out the total minimum lease payments calculated based on the operating leases due as at the dates indicated:

	As at 31 December		
	2011	2012	2013
	(RMB'000)	(RMB'000)	(RMB'000)
Within one year	21,816	18,448	27,469
In the second to fifth years, inclusive	53,421	50,053	57,274
After five years	65,005	52,025	41,092
	140,242	120,526	125,835

CAPITAL EXPENDITURES

Our capital expenditures primarily comprise of expenditures for property, plant and equipment and intangible assets. Our capital expenditures (recognised on cash basis) for the years ended 31 December 2011, 2012 and 2013 amounted to RMB75.65 million, RMB70.30 million and RMB25.90 million, respectively. Fluctuations in our capital expenditures during the Track Record Period primarily reflect changes in our investment in construction of property and purchase of equipment to meet our changing business need.

The following table sets out our capital expenditures by type for the periods indicated:

	Year ended 31 December		
	2011	2012	2013
	(RMB'000)	(RMB'000)	(RMB'000)
Property, plant and equipment	75,134	68,325	22,298
Intangible assets	519	1,976	3,601
	75,653	70,301	25,899

Anticipated Capital Expenditures

As at the Latest Practicable Date, our anticipated capital expenditures for the years ending 31 December 2014 and 2015 were RMB81.35 million and RMB87.04 million, respectively. These anticipated capital expenditures would be mainly used to purchase equipment such as shield tunneling machines in connection with our construction contracting business. We plan to meet these commitments primarily through cash from operations and our cash reserve.

INDEBTEDNESS AND CONTINGENCIES

During the Track Record Period and as at 30 April 2014, we did not borrow from any third-party financial institutions. Our interest-bearing borrowings represent mainly borrowings from BUCG. No collateral is required to secure such borrowings. Please refer to Note 28 of the "Appendix I — Accountants' Report" to this [**REDACTED**] for further information. The balance of our interest-bearing borrowings as at 31 December 2011 and 31 December 2012 was RMB371.62 million and RMB221.62 million, respectively. The interest rates for the above borrowings range from 6.0% to 6.6% per annum during the Track Record Period. As at 30 April 2014, all interest-bearing borrowings payable to BUCG had been fully repaid and we did not have borrowings from any third-party financial institutions.

As interest-bearing borrowings payable to BUCG had been fully repaid as at 30 April 2014 and we did not have any borrowing from any third-party financial institutions, we are not subject to material or customary affirmative and/or negative financial covenants such as restriction from merger, liquidation or change of control.

Save as disclosed herein, we did not have any outstanding debt securities issued and outstanding or authorised or otherwise created but unissued, term loans, other borrowings or indebtedness in the nature of borrowing including bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptance credits, hire purchase commitments, mortgages and charges, material contingent liabilities or guarantees outstanding as at 30 April 2014. Our Directors confirm that there is no material change in our indebtedness position since 30 April 2014 up to the date of this [**REDACTED**].

Our Directors further confirm that, during the Track Record Period and up to the Latest Practicable Date, they are not aware of any material defaults in payment of trade and non-trade payables and borrowings, any breach of any financial convent constituting any event of default nor aware of any restrictions that will limit our ability to drawdown on unutilised credit.

Contingent Liabilities

As at 30 April 2014, the Company did not have any outstanding mortgages, charges, debentures, loan capital, bank loans or overdrafts, debt securities or other similar indebtedness, finance leases or hire purchase commitments, acceptance credits or guarantees or other material contingent liabilities.

OFF-BALANCE SHEET ARRANGEMENTS

Save as disclosed herein, we did not have any material off-balance sheet arrangements as at the Latest Practicable Date.

ANALYSIS ON KEY FINANCIAL RATIOS

The table below sets out certain key financial ratios which reflected our financial position and results of operations as at the dates or for the periods indicated:

	As at 31 December		
	2011	**2012**	**2013**
Current ratio(1)	1.07	1.08	1.33
Quick ratio(2)	1.06	1.07	1.33
Gearing ratio(3)(%)	68.7%	32.5%	0.0%
Net debt-to-equity ratio(4)(%)	0.1%	Net cash	Net cash

Notes:

(1) Current ratio represents a ratio of current assets to current liabilities as at the reporting date.

(2) Quick ratio represents current assets (excluding inventory) divided by current liabilities as at the reporting date.

(3) Gearing ratio represents total interest bearing borrowings as at the reporting date divided by total equity as at the same reporting date.

(4) Net debt-to-equity ratio is our total interest bearing borrowings less cash and bank balances and pledged deposits as a percentage of total equity at the end of each financial period.

	Year ended 31 December		
	2011	**2012**	**2013**
Return on equity(1)	35.1%	32.7%	21.1%
Return on assets(2)	3.6%	4.1%	4.7%

Notes:

(1) Return on equity is our net profit attributable to our equity owners divided by average value of beginning and ending balances of equity attributable to our equity owners for each financial period.

(2) Return on assets is our net profit attributable to our equity owners divided by average value of beginning and ending balances of total assets for each financial period.

Current ratio and quick ratio

Our current ratios as at 31 December 2011 and 31 December 2012 remained stable. Our current ratio increased from 1.08 as at 31 December 2012 to 1.33 as at 31 December 2013, mainly due to capital injection of Strategic Investors in 2013.

Our quick ratio increased from 1.06 as at 31 December 2011 to 1.33 as at 31 December 2013. The increase in the quick ratio was mainly caused by the capital injection of Strategic Investors in 2013.

Gearing ratio and net debt-to-equity ratio

Our gearing ratio declined from 68.7% as at 31 December 2011 to 32.5% as at 31 December 2012, and further decreased to 0.0% as at 31 December 2013. The decreases of the gearing ratio was primarily due to the fact that we continued to pay down our debt throughout the Track Record Period.

During the Track Record Period, we maintained a low level of borrowings. For the year ended 31 December 2012 and 2013, our net cash for the respective fiscal year/period remained positive. For the year ended 31 December 2011, our net debt-to-equity ratio was 0.1%.

Return on equity and return on assets

During the Track Record Period, our return on equity decreased to 21.1% for the year ended 31 December 2013 from 35.1% for the year ended 31 December 2011. Our return on equity significantly dropped to 21.1% for the year ended 31 December 2013 from 32.7% for the year ended 2012, primarily due to a significant increase in our total equity resulting from our Strategic Investor's capital injection. Our return on equity remained stable for the years ended 31 December 2011 and 2012.

Our return on assets remained steady during the Track Record Period, mainly due to the growth of both of our net profit and total assets. For the years ended 31 December 2011, 2012 and 2013, our return on assets were 3.6%, 4.1% and 4.7%, respectively.

MARKET RISKS

We are exposed to the following types of market risks:

Foreign Currency Risk

We conduct most of our business in Renminbi. The Renminbi is not freely convertible into any foreign currency. Further, the conversion of Renminbi into foreign currency is subject to foreign exchange regulations promulgated by the PRC government. Most of our business operations are located in mainland China, our revenues and expenses are mainly denominated in Renminbi, and more than 95% of our financial assets and liabilities are denominated in Renminbi. We believe that the impact of fluctuations in Renminbi against foreign currency, and foreign exchange regulations on our operating results is minimal, and as a result we have not yet entered into any hedging transactions that might reduce our exposure to foreign currency risk. The details of our cash and bank balances and pledged deposits as at the end of each period in the Track Record Period are disclosed in Note 26 to the "Appendix I — Accountants' Report" to this [**REDACTED**]. Please also refer to "Risk Factors — Risks Relating to The

People's Republic Of China — We are exposed to foreign exchange rate risks and our businesses and the investment of the investors may be materially and adversely affected by the fluctuations in exchange rates".

The following table shows the potential changes in our profit before tax, when subjected to hypothetical changes in our foreign exchange at the end of each relevant period. This sensitivity analysis includes U.S. dollar-denominated bank deposits.

	Increase/ (decrease) in the exchange rate	Increase/(decrease) in profit before tax		
		Year ended 31 December		
		2011	2012	2013
		(RMB'000)	(RMB'000)	(RMB'000)
If RMB weakens against US$	5%	1,282	3,382	7,641
If RMB strengthens against US$	(5%)	(1,282)	(3,382)	(7,641)

The above sensitivity analysis assumes that the changes in foreign exchange rates occurred at the end of each relevant period, and the foreign exchange risk exposure was applied to the monetary assets and liabilities as at that date. The sensitivity analysis was conducted on this same basis for the entire relevant period.

Credit Risk

Our credit risk exposure is primarily attributable to our current assets, such as cash and bank balances, trade and bills receivables, other receivables, investments and other financial assets. Substantially all of our cash and bank balances are held in major financial institutions in China, which are selected based on management's determination that they have higher relative credit quality. We have developed internal policies to control the size of our deposits with each institution based on their reputation in the market, scale of operations and financial background, so as to limit our credit exposure to any single financial institution.

We only trade without collateral requirements with customers whom we determine to be widely recognised and reputable. It is our policy that all customers who wish to trade on credit terms to undergo our credit verification procedures. In addition, we continuously monitor our receivable balances, in order to limit our exposure to bad debts.

Our main customers are large government agencies and other State-owned enterprises at the national, provincial or local level in the PRC. Our Directors have determined that they are reliable entities and have high credit quality. Our senior management will continuously review and evaluate the credit quality of our existing customers.

We had not experienced any material losses as a result of our clients' defaults in their payment obligations for the three years ended 31 December 2011, 2012 and 2013.

Inflation

For the three years ended 31 December 2011, 2012 and 2013, China did not experience significant inflation. According to the National Bureau of Statistics, the changes in the consumer price index of China were 5.4%, 2.6% and 2.6% in 2011, 2012 and 2013, respectively. It is our determination that inflation has not had a material impact on our business during the Track Record Period.

RECENT ACCOUNTING PRONOUNCEMENTS

We have not applied the following new and revised IFRSs, that have been issued but are not yet effective.

IFRS 9	*Financial Instruments*[4]
IFRS 9, IFRS 7 and IAS 39 Amendments	*Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39*[4]
IFRS 10, IFRS 12 and IAS 27 (Revised) Amendments	Amendments to IFRS 10, IFRS 12 and IAS 27 (Revised) – *Investment Entities*[1]
IFRS 14	*Regulatory Deferral Accounts*[3]
IFRS 15	*Revenue from Contracts with Customers*[5]
IAS 19 Amendments	Amendments to IAS 19 *Employee Benefits – Defined Benefit Plans: Employee Contributions*[2]
IAS 32 Amendments	Amendments to IAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[1]
IAS 36 Amendments	Amendments to IAS 36 *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets*[1]
IAS 39 Amendments	Amendments to IAS 39 *Financial instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*[1]
IFRIC 21	*Levies*[1]
Annual Improvements 2010-2012 & 2011-2013 Cycles	Amendments to a number of IFRSs[2]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014
3 Effective for annual periods beginning on or after 1 January 2016
4 No mandatory effective date yet determined but is available for adoption
5 Effective for annual periods beginning on or after 1 January 2017

We are in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, we consider that these new and revised IFRSs may result in changes in accounting policies and are unlikely to have a significant impact on the Group's results of operations and financial position.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE HONG KONG LISTING RULES

Our Directors confirm that no circumstances have occurred that, had they been required to comply with Rules 13.13 to 13.19 of the Hong Kong Listing Rules, would have given rise to any disclosure as required under Rules 13.13 to 13.19 of the Hong Kong Listing Rules.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following is a statement of the unaudited pro forma adjusted consolidated net tangible assets of the Group, which has been prepared in accordance with paragraph 4.29 of the Hong Kong Listing Rules for the purpose of illustrating the effect of the [**REDACTED**] as if it had taken place on 31 December 2013, and based on our audited consolidated net tangible assets as at 31 December 2013, as set out in the "Appendix I — Accountants' Report" to this [**REDACTED**]

	Consolidated net tangible assets attributable to owners of our Company as at 31 December 2013(1)	Estimated net proceeds from the [REDACTED](2)	Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of our Company	Unaudited pro forma adjusted consolidated net tangible assets per share	
	(RMB million)	(RMB million)	(RMB million)	(RMB(3))	(HK$(3))
Based on an [**REDACTED**] of HK$[**REDACTED**] per Share	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Based on an [**REDACTED**] of HK$[**REDACTED**] per Share	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

(1) The consolidated net tangible assets attributable to owners of the Company as at 31 December 2013 was calculated based on the consolidated net assets attributable to owners of the Company as at 31 December 2013 of approximately RMB[**REDACTED**] as extracted from the Accountants' Report set out in Appendix I to this [**REDACTED**], with adjustments for the intangible assets of approximately RMB[**REDACTED**].

(2) The estimated net proceeds from the [**REDACTED**] are based on an indicative [**REDACTED**] of HK$[**REDACTED**] per Share and HK$[**REDACTED**] per Share, respectively, after deduction of the underwriting commissions, fees and other related expenses estimated by the Company in connection with the [**REDACTED**] and do not take into account of any Shares which may be issued upon the exercise of the Over-allotment Option. The estimated net proceeds from the [**REDACTED**] are translated at the exchange rate of RMB0.7938 to HK$1.

(3) The unaudited pro forma adjusted net tangible assets per Share is arrived at by dividing the unaudited pro forma adjusted net tangible assets by [**REDACTED**] Shares, being the number of shares in issue assuming the [**REDACTED**] has been completed on 31 December 2013 and do not take into account of any Shares which may be issued upon the exercise of the Over-allotment Option. The unaudited pro forma adjusted net tangible assets per Share is translated at the exchange rate of RMB0.7938 to HK$1.

(4) No adjustment has been made to the unaudited pro forma adjusted net tangible assets to reflect any trading result or other transaction of the Group entered into subsequent to 31 December 2013.

The unaudited pro forma adjusted consolidated net tangible assets of the Group has been prepared for illustrative purpose only and because of its pro forma nature, it may not give a true or fair picture of the financial position of the Group after the completion of the [**REDACTED**] or on any future dates.

DIVIDEND POLICY

We may declare and pay dividends in cash or by other means as we deem appropriate in the future. The payment of dividends shall be planned and determined by our Directors at their sole discretion subject to shareholders' approval. For the two years ended 31 December 2011 and 2012, the dividends paid to our shareholders amounted to RMB36.26 million and RMB59.58 million, respectively. The decision to declare or pay any dividends and the amounts of any dividends will depend on factors including, but not limited to, our results of operations, cash flows, financial condition, operating and capital expenditure requirements, distributable profits determined in accordance with the PRC Accounting Standards or IFRSs (whichever is lower), the Articles of Association, the Company Law and any other applicable laws and regulations in the PRC and any other factors deemed to be relevant by our Directors. In any case, we will only pay dividends out of profits after tax after the following allocations have been made:

- accumulated losses (if any) have been recovered;
- appropriation of 10% of the profit after tax (if required) as determined in accordance with the PRC Accounting Standards for the statutory reserve; and
- appropriation of the amount approved by the Shareholders in the general meeting to the specified funds (if any).

The lower limit of appropriation to the statutory reserve is 10% of the profit after tax as determined in accordance with the PRC Accounting Standards. When the statutory reserve reaches and is maintained at or above 50% of our registered capital, appropriation to such statutory reserve is no longer required.

According to the PRC laws, upon the completion of the [**REDACTED**], dividends can only be paid out of the distributable profits determined in accordance with the PRC Accounting Standards or IFRSs (whichever is lower). Any distributable profits that are not distributed in any year will be retained and available for distribution in subsequent years.

In the future, we expect to pay not less than 30% of our distributable net profit for the year as dividends. However, we cannot guarantee that we will be able to make any dividend distributions in the aforesaid proportion of net profit or at all every year or in any year. In addition, the declaration and/or payment of dividends may be subject to legal restrictions and/or financing agreements that we may enter into in the future. Please refer to "Risk Factors — Risks Relating to the Global Offering — There can be no assurance if and when we will pay dividends in the future" in this [**REDACTED**].

Dividend Distributions Before Listing

Dividend distribution before the H Share Listing is paid out of the distributable profits determined in accordance with the PRC Accounting Standards or IFRSs (whichever is lower).

Our distributable profits accumulated prior to the [**REDACTED**] are distributed in the following manner:

Pursuant to a subscription agreement dated 17 May 2013 entered into among our Company's predecessor, Beijing Urban Construction Design & Research Institute Co., Ltd., BUCG and the Strategic Investors, a special dividend in the amount of RMB40 million was declared and payable to BUCG.

Pursuant to a resolution at the general meeting convened on 16 December 2013, all of our Shareholders prior to the completion of the [**REDACTED**] were entitled to a special dividend equivalent to 30% of the net profits generated but not allocated by our Company from 1 June 2013 (inclusive) to 31 December 2013 (inclusive), which was approximately RMB35.07 million. The two sums of special dividends had been paid prior to the date of this [**REDACTED**].

Except the special dividends disclosed herein new and existing Shareholders will share the accumulated profits that were accumulated prior to the [**REDACTED**].

Distributable Reserves

As at 31 December 2013, the Company's distributable reserves (on which our dividend distribution will be based) were RMB302.93 million (also defined as the Company's retained earnings). As at 31 December 2013, our distributable reserves (including the Company and our subsidiaries) amounted to RMB388.21 million.

RELATED PARTY TRANSACTIONS

The following table shows the borrowings provided to and from related parties for the periods indicated:

	Year ended 31 December		
	2011	2012	2013
	(RMB'000)	(RMB'000)	(RMB'000)
Borrowings provided to:			
A fellow subsidiary	—	4,900	18,290
Associates of BUCG	—	32,980	—
Total	—	37,880	18,290
Borrowings received from:			
BUCG	876,720	100,000	—

No collateral is required to secure borrowings from BUCG, and we did not receive borrowings from BUCG for the year ended 31 December 2013. Please refer to " — Indebtedness and Contingencies" for further details.

During the Track Record Period, BUCG provided bidding guarantees, performance guarantees and prepayment guarantees in favour of us in relation to our design, survey and consultancy business and urban rail transit construction contracting projects. The remaining balance of such guarantees as at 31 December 2011, 2012 and 2013 was RMB416.58 million, RMB424.48 million and RMB360.31 million, respectively. Those guarantees will not be released and will continue to be in effect subsequent to the H Share Listing. We will not obtain any guarantee from BUCG after the lapse of the existing guarantees offered by BUCG subsequent to the H Share Listing. For more details regarding guarantees from BUCG, please refer to "Relationship with BUCG and Rail Transit Design Institute" in this [**REDACTED**].

Among the Strategic Investors, the Company had related party transactions with BII, Rail Transit Company and Gonglian Company and their respective affiliates as from the date of their becoming related parties of the Company, *i.e.*, 24 May 2013. From 24 May 2013 to 31 December 2013, the Group's aggregate revenue from the aforesaid Strategic Investors as related parties was approximately RMB555.43 million.

Our Directors have determined that each related party transaction set out in note 36(a) to "Appendix I — Accountants' Report" to this [**REDACTED**], including but not limited to the borrowings and guarantees disclosed above, was conducted on arm's length commercial terms, during our ordinary and usual course of business and would not distort our track record results or make our historical results not reflective of our future performance.

Certain of the related party transactions set out in note 36(a) to "Appendix I — the Accountants' Report" to this [**REDACTED**] (apart from the borrowings and guarantees disclosed above) will continue after the Listing. For details, please refer to "Connected Transactions" in this [**REDACTED**].

LISTING EXPENSES

We incur listing expenses in connection with the H Share Listing, which include professional fees, underwriting commission and other fees and expenses. Total expenses in relation to the H Share Listing are estimated to be approximately RMB61.77 million. Listing expenses of approximately RMB7.58 million are expected to be charged to our statement of comprehensive income and RMB54.19 million are expected to be accounted for as a deduction from equity. Listing expenses of approximately RMB7.71 million had been incurred as at 31 December 2013, and approximately RMB54.06 million are expected to be incurred after 31 December 2013.

NO MATERIAL ADVERSE CHANGE

Our Directors have determined that except as disclosed in this [**REDACTED**], as at the date of this [**REDACTED**], there has been no material adverse change in our financial position or prospects since 31 December 2013 and no event has occurred since 31 December 2013 that would materially and adversely affect the information shown in the "Appendix I — Accountants' Report" to this [**REDACTED**].

FUTURE PLANS

For details of our future plans and strategies, please refer to "Business — Business Strategies and Future Plans" in this [**REDACTED**].

USE OF PROCEEDS

We estimate that the net proceeds of the [**REDACTED**] accruing to us (after deduction of underwriting fees, commissions and other estimated expenses payable by us in relation to the [**REDACTED**], assuming an [**REDACTED**] of HK$[**REDACTED**], being the mid-point of the indicative [**REDACTED**] range of HK$[**REDACTED**] to HK$[**REDACTED**]) to be approximately HK$[**REDACTED**], if the Over-allotment Option is not exercised. Currently, we intend to apply these net proceeds for the following purposes, assuming the Over-allotment Option is not exercised:

- approximately HK$[**REDACTED**], or [**REDACTED**] of the estimated total net proceeds, to be used to supplement our capital needs for design, survey and consultancy projects and construction contracting projects (including EPC and BT projects) in relation to the urban rail transit business;

- approximately HK$[**REDACTED**], or [**REDACTED**] of the estimated total net proceeds, to be used to enhance, through self-development, cooperation or acquisition, the design and technology research capabilities in relation to the urban rail transit business and facilitate commercialisation of the technologies;

- approximately HK$[**REDACTED**], or [**REDACTED**]of the estimated total net proceeds, to be used to improve our construction capabilities in relation to the urban rail transit business, for example, procuring equipment such as shield tunneling machine;

- approximately HK$[**REDACTED**], or [**REDACTED**] of the estimated total net proceeds, to be used to build our information systems; and

- approximately HK$[**REDACTED**], or [**REDACTED**] of the estimated total net proceeds, to be used to supplement working capital for our general corporate purposes.

If the Over-allotment Option is exercised in full, we estimate that the additional net proceeds to us from the offering of these additional H Shares will be approximately HK$[**REDACTED**] million, after deducting the underwriting fees, commissions and other estimated expenses payable by us, assuming an [**REDACTED**] of HK$[**REDACTED**] per H Share (being the mid-point of the stated range of the [**REDACTED**] of between HK$[**REDACTED**] and HK$[**REDACTED**] per H Share). We intend to use all the additional net proceeds proportionately as earmarked above.

In the event that the [**REDACTED**] is fixed at the high-end of the indicative [**REDACTED**] range, the estimated net proceeds from the [**REDACTED**] will increase to approximately HK$[**REDACTED**] (assuming the Over-allotment Option is not exercised), or approximately HK$[**REDACTED**] (assuming the Over-allotment Option is exercised in full). In the event that the [**REDACTED**] is fixed at the low-end of the indicative [**REDACTED**] range, the estimated net proceeds from the [**REDACTED**] will decrease to approximately HK$[**REDACTED**] (assuming the Over-allotment Option is not exercised), or approximately HK$[**REDACTED**] (assuming the Over-allotment Option is exercised in full).

If the actual net proceeds from the [**REDACTED**] are lower than the aforesaid estimated amounts, we will adjust our allocation of the net proceeds for the above purposes on a pro rata basis. If the actual net proceeds from the [**REDACTED**] exceed the aforesaid estimated amounts, the surplus will be applied to supplement our working capital.

To the extent that the net proceeds are not immediately applied to the above purposes, we intend to deposit the same into short-term deposits with licensed banks or financial institutions in Hong Kong or the PRC as permitted by the relevant laws and regulations.

The net proceeds from the sale of the Sale Shares by the Selling Shareholders in the [**REDACTED**] (assuming the Over-allotment Option is not exercised) are estimated to be approximately HK$[**REDACTED**], assuming an [**REDACTED**] of HK$[**REDACTED**] per H Share (being the high end of the estimated price range), or approximately HK$[**REDACTED**], assuming an [**REDACTED**] of HK$[**REDACTED**] per H Share (being the low end of the estimated price range). If the Over-allotment Option is exercised in full, such net proceeds are estimated to be approximately HK$[**REDACTED**], assuming an [**REDACTED**] of HK$[**REDACTED**] per H Share (being the high end of the estimated price range), or approximately HK$[**REDACTED**], assuming an [**REDACTED**] of HK$[**REDACTED**] per H Share (being the low end of the estimated price range). The Company will not receive any of such proceeds. In accordance with relevant PRC laws and regulations, the Selling Shareholders will be required to contribute the net proceeds from the sale of the Sale Shares under the [**REDACTED**] to the NSSF.

HONG KONG UNDERWRITERS

[**REDACTED**]

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Under the Hong Kong Underwriting Agreement, we are offering the [**REDACTED**] for subscription by the public in Hong Kong at the [**REDACTED**], on the terms and subject to the conditions of this [**REDACTED**] and the Application Forms. Subject to the Listing Committee granting approval for the listing of, and permission to deal in, the H Shares in issue and to be issued as mentioned in this [**REDACTED**] and to certain other conditions set out in the Hong Kong Underwriting Agreement (including, among others, the Joint Global Coordinators (on behalf of the Underwriters) and the Company agreeing on the [**REDACTED**]), the Hong Kong Underwriters have agreed severally but not jointly to procure subscribers for, or themselves to subscribe for, their respective proportions of the [**REDACTED**] which are being offered but are not taken up under the [**REDACTED**] on the terms and subject to the conditions of this [**REDACTED**], the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on and subject to, among other things, the International Purchase Agreement having been signed and becoming unconditional.

Grounds for termination

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

Undertakings

Undertakings to the Hong Kong Stock Exchange under the Hong Kong Listing Rules

[**REDACTED**]

[**REDACTED**]

Undertakings under the Hong Kong Underwriting Agreement and other documents

(A) Undertaking by us

[**REDACTED**]

[**REDACTED**]

(B) Undertaking by our Controlling Shareholder

[**REDACTED**]

[**REDACTED**]

International Offering

International Purchase Agreement

In connection with the [**REDACTED**], we and the Selling Shareholders, among others, expect to enter into the International Purchase Agreement with the International Purchasers. Under the International Purchase Agreement, the International Purchasers, subject to certain conditions, will agree severally but not jointly to procure purchasers for, or themselves purchase, their respective proportions of the [**REDACTED**] being offered under the [**REDACTED**].

Under the International Purchase Agreement, we and the Selling Shareholders expect to grant to the International Purchasers the Over-allotment Option, exercisable by the Joint Global Coordinators (on behalf of the International Purchasers) at any time, and from time to time, on or before the date which is the 30th day after the last day for the lodging of applications under the [**REDACTED**], to require us to allot and issue and the Selling Shareholders to sell up to an aggregate of [**REDACTED**] additional H Shares, representing in aggregate of no more than approximately [**REDACTED**]of the number of [**REDACTED**] initially available under the [**REDACTED**]. These additional H Shares will be issued at the [**REDACTED**] and will be for the purpose of, among others, covering over-allocations in the [**REDACTED**], if any.

It is expected that the International Purchase Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors shall be reminded that if the International Purchase Agreement is not entered into, the [**REDACTED**] will not proceed.

We will agree to indemnify the International Purchasers against certain liabilities, including liabilities under the U.S. Securities Act.

Commissions and expenses

The Hong Kong Underwriters will receive a gross commission of [**REDACTED**] of the aggregate [**REDACTED**] payable for the [**REDACTED**] initially offered under the [**REDACTED**]. Assuming an [**REDACTED**] of HK$[**REDACTED**], which is the midpoint of the indicative [**REDACTED**] range, it is estimated that the Hong Kong Underwriters will receive a gross underwriting commission of approximately HK$[**REDACTED**]. For unsubscribed [**REDACTED**] reallocated to the [**REDACTED**], we will pay an underwriting commission at the rate applicable to the [**REDACTED**] and such commission will be paid to the International Purchasers and not the Hong Kong Underwriters. The commissions payable to the Underwriters will be borne by our Company in relation to the new H Shares to be issued in relation to the [**REDACTED**]. Our Company may also in its sole discretion pay the Joint Global Coordinators an additional incentive fee of up to [**REDACTED**] of the aggregate proceeds from the offer of H Shares offered by us under the [**REDACTED**].

The aggregate underwriting commissions payable to the Underwriters (inclusive of any discretionary incentive fees), together with listing fees, the SFC transaction levy and Hong Kong Stock Exchange trading fee in respect of the new H Shares offered by us, legal and other professional fees and printing and other expenses relating to the [**REDACTED**], are estimated amount to approximately HK$[**REDACTED**] (assuming an [**REDACTED**] of HK$[**REDACTED**], which is the midpoint of the indicative [**REDACTED**] range and that the Over-allotment Option is not exercised) in total and are payable by us.

Underwriters' interest in our Group

Save for their obligations under the Underwriting Agreements, none of the Underwriters has any shareholding interests in any member of our Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

Following the completion of the [**REDACTED**], the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the H Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

Joint Sponsors' independence

The Joint Sponsors satisfy the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Hong Kong Listing Rules.

ACTIVITIES BY SYNDICATE MEMBERS

[**REDACTED**]

[**REDACTED**]

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[**REDACTED**]

The following is the text of a report on Beijing Urban Construction Design & Development Group Co., Limited, prepared for the purpose of incorporation in this [**REDACTED**] *received from the auditors and reporting accountants of our Company, Ernst & Young, Certified Public Accountants, Hong Kong.*

EY 安永
Building a better working world

22nd Floor
CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

[**REDACTED**]

The Directors
Beijing Urban Construction Design & Development Group Co., Limited
UBS Securities Hong Kong Limited
CITIC Securities Corporate Finance (HK) Limited (中信証券融資(香港)有限公司)

Dear Sirs,

We set out below our report on the financial information of Beijing Urban Construction Design & Development Group Co., Limited (北京城建設計發展集團股份有限公司, the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") comprising the consolidated statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the three years ended 31 December 2011, 2012 and 2013 (the "Relevant Periods"), and the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2011, 2012 and 2013, together with the notes thereto (the "Financial Information"), prepared on the basis of presentation set out in note 2.1 of Section II below, for inclusion in the [**REDACTED**] of the Company dated [**REDACTED**] (the "[**REDACTED**]") in connection with the listing of the shares of the Company on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company began the operations in 1958 in the People's Republic of China (the "PRC", or Mainland China, which excludes for the purpose of this report, the Hong Kong Special Administrative Region of the PRC or Hong Kong, the Macau Special Administrative Region of the PRC or Macau, and Taiwan) as a State-owned professional survey and design institute founded specifically for the survey and design of Beijing Subway Line 1. In 1983, the name of the Company was changed to Beijing Urban Construction Engineering Design Institute. Thereafter, the Company became an affiliate of Beijing Urban Construction Engineering Corporation, the predecessor of Beijing Urban Construction Group Co., Ltd. ("BUCG"). In August 1990, the predecessor of the Company in the name of Beijing Urban Construction Engineering Design Institute was registered as an enterprise owned by the whole people (全民所有制企業). In June 1991, it was renamed as Beijing Urban Construction Design & Research Institute. In September 2001, the Company was converted into a company with limited liability and renamed as Beijing Urban Construction Design & Research Institute Limited Liability Company. In December 2002, it was further renamed as Beijing Urban Construction Design & Research Institute Co., Ltd.

Pursuant to a group reorganisation as described in note 1 of Section II below, which was completed on 31 December 2012, the Company became the holding company of the subsidiaries now comprising the Group (the "Reorganisation"). The injection of capital from seven strategic investors was completed on 24 May 2013 as set out in note 1 of Section II below and these strategic investors became the beneficial shareholders (the "Beneficial Shareholders") of the Company. On 28 October 2013, the Company was converted and registered as a joint stock company with limited liability under the Company Law of the PRC, and the name of the Company was changed to Beijing Urban Construction Design & Development Group Co., Limited (北京城建設計發展集團股份有限公司).

At the date of this report, the Company has direct and indirect interests in the subsidiaries as set out in note 1 of Section II below. All companies now comprising the Group have adopted 31 December as their financial year end date. The statutory financial statements of the companies now comprising the Group were prepared in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance (the "MOF") of the PRC in 2006, and other related regulations issued by the MOF (collectively the "PRC GAAP"). Details of their statutory auditors during the Relevant Periods are set out in note 1 of Section II below.

For the purpose of this report, the directors of the Company (the "Directors") have prepared the consolidated financial statements of the Group (the "Underlying Financial Statements") in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board. The Underlying Financial Statements for each of the three years ended 31 December 2011, 2012 and 2013 were audited by us in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board (the "IAASB").

The Financial Information set out in this report has been prepared from the Underlying Financial Statements with no adjustment made thereon.

DIRECTORS' RESPONSIBILITY

The Directors are responsible for the preparation of the Underlying Financial Statements and the Financial Information that give a true and fair view in accordance with IFRSs, and for such internal control as the Directors determine is necessary to enable the preparation of the Underlying Financial Statements and the Financial Information that are free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

It is our responsibility to form an independent opinion on the Financial Information and to report our opinion thereon to you.

For the purpose of this report, we have carried out procedures on the Financial Information in accordance with Auditing Guideline 3.340 "[**REDACTED**] and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

OPINION IN RESPECT OF THE FINANCIAL INFORMATION

In our opinion, for the purpose of this report and on the basis of presentation set out in note 2.1 of Section II below, the Financial Information gives a true and fair view of the state of affairs of the Group and the Company as at 31 December 2011, 2012 and 2013 and of the consolidated results and cash flows of the Group for each of the Relevant Periods.

I. FINANCIAL INFORMATION

(A) Consolidated Statements of Comprehensive Income

	Section II Notes	Year ended 31 December		
		2011	2012	2013
		RMB'000	RMB'000	RMB'000
REVENUE	6	3,409,655	2,693,540	2,923,485
Cost of sales	8	(2,963,459)	(2,215,699)	(2,336,783)
Gross profit		446,196	477,841	586,702
Other income and gains	6	7,697	18,514	11,667
Selling and distribution expenses		(32,967)	(36,056)	(44,068)
Administrative expenses		(187,225)	(193,847)	(211,996)
Other expenses		(29,446)	(32,148)	(31,853)
Finance costs	7	(2,272)	(2,430)	(1,376)
Share of profits and losses of:				
Joint ventures		151	(431)	(651)
Associates		547	(395)	1,893
PROFIT BEFORE TAX	8	202,681	231,048	310,318
Income tax expense	10	(40,072)	(33,000)	(74,052)
PROFIT FOR THE YEAR		162,609	198,048	236,266
OTHER COMPREHENSIVE INCOME				
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:				
Re-measurement gains/(losses) on defined benefit plans, net of tax	29	(4,540)	2,170	4,630
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		158,069	200,218	240,896
Profit attributable to:				
Owners of the parent	11	157,643	194,423	235,563
Non-controlling interests		4,966	3,625	703
		162,609	198,048	236,266
Total comprehensive income attributable to:				
Owners of the parent		153,367	196,487	240,193
Non-controlling interests		4,702	3,731	703
		158,069	200,218	240,896
Earnings per share attributable to the ordinary equity holders of the parent:				
Basic and diluted (expressed in RMB per share)	13	[REDACTED]	[REDACTED]	[REDACTED]

(B) Consolidated Statements of Financial Position

	Section II	As at 31 December		
	Notes	2011	2012	2013
		RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	14	270,285	307,086	288,751
Prepaid land lease payments	15	1,580	34,776	34,066
Intangible assets	16	3,173	3,817	5,869
Investments in joint ventures	18	5,651	2,288	1,637
Investments in associates	19	4,064	7,552	9,225
Available-for-sale investments	20	3,650	3,650	3,650
Deferred tax assets	21	62,894	78,768	66,079
Trade receivables	24	17,130	3,956	13,609
Prepayments, deposits and other receivables	25	13,438	18,104	18,598
Total non-current assets		381,865	459,997	441,484
CURRENT ASSETS				
Prepaid land lease payments	15	—	710	710
Inventories	22	15,099	23,275	21,366
Trade and bills receivables	24	1,155,563	1,055,911	1,393,723
Prepayments, deposits and other receivables	25	1,188,700	591,194	210,143
Amounts due from contract customers	23	1,677,841	2,172,297	1,340,086
Pledged deposits	26	33,987	31,220	27,032
Cash and bank balances	26	336,880	448,808	1,790,728
Total current assets		4,408,070	4,323,415	4,783,788
CURRENT LIABILITIES				
Trade payables	27	1,902,276	1,613,393	1,381,210
Amounts due to contract customers	23	464,739	598,217	674,103
Other payables, advances from customers and accruals	28	1,652,364	1,663,940	1,349,592
Provisions for supplementary retirement benefits	29	4,682	5,169	5,250
Tax payable		114,729	137,953	176,097
Total current liabilities		4,138,790	4,018,672	3,586,252
NET CURRENT ASSETS		269,280	304,743	1,197,536
TOTAL ASSETS LESS CURRENT LIABILITIES		651,145	764,740	1,639,020

	Section II Notes	As at 31 December 2011	2012	2013
		RMB'000	RMB'000	RMB'000
NON-CURRENT LIABILITIES				
Provisions for supplementary retirement benefits	29	74,230	69,911	64,150
Other payables and accruals	28	35,655	13,565	16,303
Total non-current liabilities		109,885	83,476	80,453
Net assets		541,260	681,264	1,558,567
EQUITY				
Equity attributable to owners of the parent				
Paid-in capital/Share capital	30	32,000	150,000	920,000
Reserves	31(a)	476,915	530,650	628,935
		508,915	680,650	1,548,935
Non-controlling interests		32,345	614	9,632
Total equity		541,260	681,264	1,558,567

(C) Consolidated Statements of Changes in Equity

	Attributable to owners of the parent							
	Paid-in capital/ Share capital	Capital reserve*	Special reserve*	Statutory surplus reserve*	Retained profits*	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2011	32,000	216,290	—	21,814	119,348	389,452	28,912	418,364
Profit for the year	—	—	—	—	157,643	157,643	4,966	162,609
Other comprehensive income/(loss) for the year:								
Re-measurement losses on defined benefit plans, net of tax	—	(4,276)	—	—	—	(4,276)	(264)	(4,540)
Total comprehensive income/(loss) for the year	—	(4,276)	—	—	157,643	153,367	4,702	158,069
Capital contribution from BUCG (note (i))	—	2,353	—	—	—	2,353	—	2,353
Dividends declared	—	—	—	—	(36,257)	(36,257)	(1,269)	(37,526)
Appropriation to statutory surplus reserve	—	—	—	12,551	(12,551)	—	—	—
Transfer to special reserve (note (v))	—	—	46,097	—	(46,097)	—	—	—
Utilisation of special reserve (note (v))	—	—	(46,097)	—	46,097	—	—	—
As at 31 December 2011 and 1 January 2012	32,000	214,367	—	34,365	228,183	508,915	32,345	541,260
Profit for the year	—	—	—	—	194,423	194,423	3,625	198,048
Other comprehensive income for the year:								
Re-measurement gains on defined benefit plans, net of tax	—	2,064	—	—	—	2,064	106	2,170
Total comprehensive income for the year	—	2,064	—	—	194,423	196,487	3,731	200,218
Capital contribution from BUCG (note (ii))	—	33,906	—	—	—	33,906	—	33,906
Increase in paid-in capital by capitalisation of statutory surplus reserve (note 30(i))	18,800	—	—	(18,800)	—	—	—	—
Increase in paid-in capital by capitalisation of retained profits (note 30(i))	99,200	—	—	—	(99,200)	—	—	—
Dividends declared	—	—	—	—	(59,584)	(59,584)	(10,011)	(69,595)
Acquisition of non-controlling interests (note (iii))	—	926	—	—	—	926	(25,451)	(24,525)
Appropriation to statutory surplus reserve	—	—	—	16,769	(16,769)	—	—	—
Transfer to special reserve (note (v))	—	—	29,928	—	(29,928)	—	—	—
Utilisation of special reserve (note (v))	—	—	(29,928)	—	29,928	—	—	—

	Attributable to owners of the parent							
	Paid-in capital/ Share capital	Capital reserve*	Special reserve*	Statutory surplus reserve*	Retained profits*	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2012 and 1 January 2013	150,000	251,263	—	32,334	247,053	680,650	614	681,264
Profit for the year	—	—	—	—	235,563	235,563	703	236,266
Other comprehensive income for the year								
Re-measurement gains on defined benefit plans, net of tax	—	4,630	—	—	—	4,630	—	4,630
Total comprehensive income for the year	—	4,630	—	—	235,563	240,193	703	240,896
Capital contributions from the Beneficial Shareholders (note (iv))	80,769	622,391	—	—	—	703,160	—	703,160
Capitalisation of capital reserve on transformation into a joint stock company (note 30 (iii))	689,231	(689,231)	—	—	—	—	—	—
Capital contribution from non-controlling interests	—	—	—	—	—	—	8,500	8,500
Dividends declared	—	—	—	—	(75,068)	(75,068)	(185)	(75,253)
Appropriation to statutory surplus reserve	—	—	—	19,341	(19,341)	—	—	—
Transfer to special reserve (note (v))	—	—	26,698	—	(26,698)	—	—	—
Utilisation of special reserve (note (v))	—	—	(26,698)	—	26,698	—	—	—
As at 31 December 2013	920,000	189,053	—	51,675	388,207	1,548,935	9,632	1,558,567

* As at 31 December 2011, 2012 and 2013, these reserve accounts comprise the consolidated reserves of RMB476,915,000, RMB530,650,000 and RMB628,935,000, respectively, in the consolidated statements of financial position.

Notes:

(i) The amounts represent the contributions of net assets relating to the construction contracting business from BUCG pursuant to part of the Reorganisation as set out in note 1 of section II during the Relevant Periods.

(ii) The amount represents the land transfer fee waived by BUCG relating to the leasehold land where the Company's office has been located on pursuant to the Reorganisation as set out in note 1 of section II.

(iii) The non-controlling interests in a subsidiary were held by the subsidiary's employees through Employees Share Ownership Committee and a third party. During the year ended 31 December 2012, the Company entered into purchase agreements with the Employees Share Ownership Committee and the third party to acquire the non-controlling interests, respectively. The acquisition was completed during the year ended 31 December 2012.

(iv) Pursuant to the capital injection agreement in May 2013, the Beneficial Shareholders contributed cash of RMB703 million into the Company, of which RMB81 million was recorded as paid-in capital and the remaining RMB622 million was recorded as capital reserve.

(v) In preparation of the Financial Information, the Group has appropriated certain amount of retained profits to a special reserve fund for each of the three years ended 31 December 2011, 2012 and 2013 respectively for safety production expense purposes as required by directives issued by relevant PRC government authorities. The Group charged the safety production expense to the statement of profit or loss when such expense was incurred, and at the same time an equal amount of such special reserve fund was utilised and transferred back to retained earnings until such special reserve was fully utilised.

(D) Consolidated Statements of Cash Flows

	Section II Notes	Year ended 31 December 2011	2012	2013
		RMB'000	RMB'000	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		202,681	231,048	310,318
Adjustments for:				
Finance costs	7	2,272	2,430	1,376
Foreign exchange differences, net		1,308	243	1,863
Interest income	6	(5,209)	(4,651)	(11,143)
Share of losses/(profits) of associates and joint ventures		(698)	826	(1,242)
Gain on disposal of an associate	8	(151)	—	—
Gain on disposal of a joint venture	8	—	(13,180)	—
Gains on disposal of financial products included in prepayments, deposits and other receivables	8	(183)	—	(109)
Depreciation of items of property, plant and equipment	8	29,683	24,663	40,157
Amortisation of intangible assets	8	1,527	1,332	1,549
Amortisation of prepaid land lease payments	8	—	—	710
Impairment of trade receivables	8	21,194	28,980	18,705
Impairment/(reversal of impairment) of deposits and other receivables	8	1,518	(940)	2,128
Provision for foreseeable losses on contracts	8	5,123	3,563	7,872
Loss on disposal of items of property, plant and equipment, net	8	317	545	277
		259,382	274,859	372,461

	Year ended 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Decrease/(increase) in inventories	(5,788)	(8,176)	1,909
Decrease/(increase) in amounts due from/(to) contract customers	(284,751)	(364,541)	900,225
Decrease/(increase) in trade and bills receivables	(564,637)	83,846	(366,170)
Decrease/(increase) in prepayments, deposits and other receivables	4,141	(33,520)	24,955
Increase/(decrease) in trade payables	229,607	(288,883)	(172,316)
Increase/(decrease) in other payables, advances from customers and accruals	(51,077)	138,231	(161,252)
Increase in provisions for supplementary retirement benefits	1,067	1,662	1,050
Cash flows from/(used in) operations	(412,056)	(196,522)	600,862
Interest received	4,971	4,714	9,461
Income tax paid	(24,795)	(25,650)	(23,219)
Net cash flows from/(used in) operating activities	(431,880)	(217,458)	587,104

	Section II Notes	Year ended 31 December 2011	2012	2013
		RMB'000	RMB'000	RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for acquisition of items of property, plant and equipment		(75,134)	(68,325)	(22,298)
Payments for acquisition of intangible assets	16	(519)	(1,976)	(3,601)
Purchase of financial products included in prepayments, deposits and other receivables		—	—	(10,000)
Purchase of an available-for-sale investment		(3,650)	—	—
Addition of investment in an associate		—	(4,000)	—
Addition of investment in a joint venture		(2,450)	—	—
Proceeds from disposal of items of property, plant and equipment		367	476	259
Proceeds from disposal of financial products included in prepayments, deposits and other receivables		10,183	—	10,109
Dividends received from associates and joint ventures		232	321	238
Proceeds from disposal of a joint venture		—	16,112	—
Proceeds from disposal of an associate		—	428	—
Increase in amounts due from related parties included in other receivables		—	(37,880)	(18,290)
Increase in amounts due from third parties included in other receivables		(170)	(2,745)	(950)
Decrease in amounts due from BUCG		331,920	667,060	318,959
Increase in non-pledged time deposits with original maturity of more than three months		—	—	(304,583)
Decrease in pledged deposits		6,633	2,767	4,188
Net cash flows from/(used in) investing activities		267,412	572,238	(25,969)

	Section II Notes	Year ended 31 December 2011	2012	2013
		RMB'000	RMB'000	RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES				
Net increase/(decrease) in amount due to BUCG		274,367	(150,000)	(221,619)
Interest paid		(2,272)	(2,432)	(1,376)
Dividends paid to shareholders		(36,257)	(59,584)	—
Dividends paid to non-controlling interests		(1,320)	(8,878)	(1,133)
Acquisition of non-controlling interests		—	(21,715)	(2,810)
Capital contribution from non-controlling interests		—	—	8,500
Payment of listing expenses		—	—	(5,147)
Capital contribution from the Beneficial Shareholders		—	—	703,160
Net cash flows from/(used in) financing activities		234,518	(242,609)	479,575
NET INCREASE IN CASH AND CASH EQUIVALENTS		70,050	112,171	1,040,710
Cash and cash equivalents at beginning of year		268,138	336,880	448,808
Effect of exchange rate changes on cash and cash equivalents		(1,308)	(243)	(3,373)
CASH AND CASH EQUIVALENTS AT END OF YEAR	26	336,880	448,808	1,486,145

(E) Statements of Financial Position

	Section II Notes	As at 31 December 2011	2012	2013
		RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	14	246,036	281,836	258,487
Prepaid land lease payments	15	1,580	34,776	34,066
Intangible assets	16	3,173	3,186	5,253
Investments in subsidiaries	17	13,976	47,525	49,525
Investments in joint ventures	18	6,766	2,600	2,600
Investments in associates	19	1,600	5,600	5,600
Available-for-sale investments	20	3,650	3,650	3,650
Deferred tax assets	21	55,709	68,715	54,767
Trade receivables	24	17,130	3,956	13,609
Prepayments, deposits and other receivables	25	14,150	16,960	18,353
Total non-current assets		363,770	468,804	445,910
CURRENT ASSETS				
Prepaid land lease payments	15	—	710	710
Inventories	22	15,099	23,275	21,366
Trade and bills receivables	24	1,058,963	947,126	1,304,996
Prepayments, deposits and other receivables	25	1,193,685	574,549	221,988
Amounts due from contract customers	23	1,510,291	1,945,249	1,129,653
Pledged deposits	26	18,471	16,044	11,922
Cash and bank balances	26	247,685	382,318	1,633,535
Total current assets		4,044,194	3,889,271	4,324,170
CURRENT LIABILITIES				
Trade payables	27	1,855,309	1,552,996	1,306,581
Amounts due to contract customers	23	365,805	511,717	568,218
Other payables, advances from customers and accruals	28	1,529,708	1,466,087	1,214,871
Provisions for supplementary retirement benefits	29	4,014	4,570	4,660
Tax payable		82,934	105,021	135,765
Total current liabilities		3,837,770	3,640,391	3,230,095
NET CURRENT ASSETS		206,424	248,880	1,094,075
TOTAL ASSETS LESS CURRENT LIABILITIES		570,194	717,684	1,539,985
NON-CURRENT LIABILITIES				
Provisions for supplementary retirement benefits	29	64,394	60,504	55,504
Other payables and accruals	28	35,655	13,565	16,303
Total non-current liabilities		100,049	74,069	71,807
Net assets		470,145	643,615	1,468,178
EQUITY				
Paid-in capital/Share capital	30	32,000	150,000	920,000
Reserves	31(b)	438,145	493,615	548,178
Total equity		470,145	643,615	1,468,178

II. NOTES TO FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company began the operations in 1958 in the PRC as a State-owned professional survey and design institute founded specifically for the survey and design of Beijing Subway Line 1. In 1983, the name of the Company was changed to Beijing Urban Construction Engineering Design Institute. Thereafter, the Company became an affiliate of Beijing Urban Construction Engineering Corporation, the predecessor of BUCG. In August 1990, the predecessor of the Company in the name of Beijing Urban Construction Engineering Design Institute was registered as an enterprise owned by the whole people (全民所有制企業). In June 1991, it was renamed as Beijing Urban Construction Design & Research Institute. In September 2001, the Company was converted into a company with limited liability and renamed as Beijing Urban Construction Design & Research Institute Limited Liability Company. In December 2002, it was further renamed as Beijing Urban Construction Design & Research Institute Co., Ltd.

Pursuant to the Reorganisation of urban rail transit construction contracting and consultancy services of BUCG and its subsidiaries (collectively, the "BUCG Group") in preparation for the initial listing (the "Listing") of the Company's shares on the Stock Exchange, the Company became the holding company of the subsidiaries now comprising the Group.

Pursuant to the Reorganisation, BUCG transferred to the Company the following equity interests and businesses related to the urban rail transit construction contracting and consultancy services:

— 60% equity interest in Beijing Urban Construction Xinjie Rail Transit Engineering Consulting Co., Ltd. (北京城建信捷軌道交通工程諮詢有限公司"Xinjie Consulting");

— the operation relating to urban rail transit construction contracting together with the related assets and liabilities; and

— as part of the Reorganisation, BUCG assisted the Company to obtain the land certification related to the leasehold land where the Company's office has been located, paid the related land transfer fee on behalf of the Company and waived the liability of related land transfer fee.

Subsequent to the Reorganisation completed on 31 December 2012, the capital injection of RMB703 million to the Company from the Beneficial Shareholders was completed on 24 May 2013 and the shareholding in the Company held by the Beneficial Shareholders is 35%. The Company was then converted into a joint stock company with limited liability and renamed as Beijing Urban Construction Design & Development Group Co., Limited (北京城建設計發展集團股份有限公司) on 28 October 2013.

The registered office address of the Company is No.5 Fuchengmen North Street, Xicheng District, Beijing, the PRC.

During the Relevant Periods, the Group's principal activities were as follows:

— Design, survey and consultancy

— Construction contracting

In the opinion of the Directors, throughout the Relevant Periods and up to the date of this report, the Company's holding company is BUCG, which is wholly-owned by the State-owned Assets Supervision and Administration Commission ("SASAC") of the People's Government of Beijing Municipality of the PRC.

As at the date of this report, the Company had direct and indirect interests in the following subsidiaries, all of which are private companies with limited liability, the particulars of which are set out below:

Subsidiaries

Company name*	Notes	Place and date of registration and business	Registered and paid-in capital	Percentage of equity interest attributable to the Company		Principal activities
				Direct	Indirect	
Beijing Urban Construction Exploration & Surveying Design Research Institute Co., Ltd. ("北京城建勘測設計研究院有限責任公司")	(i)	The PRC/ Mainland China 3 May 1992	RMB30,000,000	100%	—	Surveying, designing, engineering exploration
Beijing Huan'an Engineering Inspection Co., Ltd. ("北京環安工程檢測有限責任公司")	(i)	The PRC/ Mainland China 18 June 2008	RMB1,000,000	100%	—	Engineering consulting, monitoring and testing
China Metro Engineering Consulting Co., Ltd. ("中國地鐵工程諮詢有限責任公司")	(i)	The PRC/ Mainland China 27 October 2006	RMB13,340,000	56.22%	—	Rail transit, engineering consulting
Beijing Urban Construction Xingjie Property Management Co., Ltd. ("北京城建興捷物業管理有限公司")	(ii)	The PRC/ Mainland China 21 November 2011	RMB500,000	100%	—	Property management

Company name*	Notes	Place and date of registration and business	Registered and paid-in capital	Percentage of equity interest attributable to the Company		Principal activities
				Direct	Indirect	
Xinjie Consulting ("北京城建信捷軌道交通工程諮詢有限公司")	(i)	The PRC/ Mainland China 2 January 2004	RMB3,000,000	60%	40%	Rail transit engineering consulting
Beijing Urban Construction Taijie Engineering Consulting Co., Ltd. ("北京城建太捷工程諮詢有限責任公司")	(iii)	The PRC/ Mainland China 19 August 2013	RMB5,000,000	40%	—	Engineering consulting

* The English names of the companies registered in the PRC represent the best efforts of the management of the Company in directly translating the Chinese names of the companies as no English names have been registered.

Notes:

(i) The statutory financial statements of these subsidiaries for the years ended 31 December 2011, 2012 and 2013 prepared under the PRC GAAP were audited by Beijing Zhongtianyongxin Certified Public Accountants (北京中天永信會計師事務所), certified public accountants registered in the PRC.

(ii) The statutory financial statements of this subsidiary for the years ended 31 December 2012 and 2013 prepared under the PRC GAAP were audited by Beijing Zhongtianyongxin Certified Public Accountants (北京中天永信會計師事務所), certified public accountants registered in the PRC.

No statutory financial statements were prepared for this subsidiary for the year ended 31 December 2011 as this entity was newly established in 2011.

(iii) On 19 August 2013, Beijing Urban Construction Taijie Engineering Consulting Co., Ltd. ("Taijie Consulting") was established and the Company owned directly a 40% equity interest in the entity. Since the establishment, the Company signed the shareholders voting agreement with the other equity owners holding 60% equity interests in aggregate, who have unconditionally and irrevocably agreed to vote unanimously with the Company. Therefore the Company is able to exercise control over Taijie Consulting.

No statutory financial statements were prepared for this subsidiary for the year ended 31 December 2013 as this entity was newly established in 2013.

2.1 BASIS OF PRESENTATION

Pursuant to the Reorganisation as more fully explained in the paragraph headed "Reorganisation" in "History, Reorganisation and Corporate Structure" in this [**REDACTED**], the Company became the holding company of the companies now comprising the Group on 31 December 2012. The companies now comprising the Group were under the common control of the controlling shareholders before and after the Reorganisation. Accordingly, for the purpose of this report, the Financial Information has been prepared by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the Relevant Periods.

The consolidated statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group for the Relevant Periods include the results and cash flows of all companies now comprising the Group from the earliest date presented or since the date when the subsidiaries and/or businesses first came under the common control of the controlling shareholders, where this is a shorter period. The consolidated statements of financial position of the Group as at 31 December 2011, 2012 and 2013 have been prepared to present the assets and liabilities of the subsidiaries and/or businesses using the existing book values from the controlling shareholders' perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

Equity interests in subsidiaries and/or businesses held by parties other than the controlling shareholders, and changes therein, prior to the Reorganisation are presented as non-controlling interests in equity in applying the principles of merger accounting.

All intra-group transactions and balances have been eliminated on consolidation.

2.2 BASIS OF PREPARATION

The Financial Information has been prepared in accordance with IFRSs, which comprise all standards and interpretations approved by the IASB. All IFRSs effective for the accounting period commencing from 1 January 2013, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Financial Information throughout the Relevant Periods.

This Financial Information has been prepared under the historical cost convention. The Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand, except when otherwise indicated.

3.1 ISSUED BUT NOT YET EFFECTIVE IFRSs

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in the Financial Information herein.

IFRS 9	*Financial Instruments*[4]
IFRS 9, IFRS 7 and IAS 39 Amendments	*Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39*[4]
IFRS 10, IFRS 12 and IAS 27 (Revised) Amendments	Amendments to IFRS 10, IFRS 12 and IAS 27 (Revised) – *Investment Entities*[1]
IFRS 14	*Regulatory Deferral Accounts*[3]
IFRS 15	*Revenue from Contracts with Customers*[5]
IAS 19 Amendments	Amendments to IAS 19 *Employee Benefits – Defined Benefit Plans: Employee Contributions*[2]
IAS 32 Amendments	Amendments to IAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[1]
IAS 36 Amendments	Amendments to IAS 36 *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets*[1]

IAS 39 Amendments	Amendments to IAS 39 *Financial instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*[1]
IFRIC 21	*Levies*[1]
Annual Improvements 2010-2012 & 2011-2013 Cycles	Amendments to a number of IFRSs[2]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014
3 Effective for annual periods beginning on or after 1 January 2016
4 No mandatory effective date yet determined but is available for adoption
5 Effective for annual periods beginning on or after 1 January 2017

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, the Group considers that these new and revised IFRSs may result in changes in accounting policies and are unlikely to have a significant impact on the Group's results of operations and financial position.

3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The Financial Information includes the financial statements of the Company and its subsidiaries for the Relevant Periods. The financial statements of the subsidiaries are prepared for the same reporting periods as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (*i.e.*, existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with IFRS 5 are stated at cost less any impairment losses.

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

The results of associates and joint ventures are included in the Company's profit or loss to the extent of dividend received and receivable. The Company's investments in associates and joint ventures are treated as non-current assets and are stated at cost less any impairment losses.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Business combinations and goodwill

Business combinations not under common control are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRSs. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed in these circumstances is measured based on the relative value of the disposed operation and the portion of the cash-generating unit retained.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Financial Information are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the Financial Information on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, construction and service contract assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly-controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with IFRS 5. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Except for that the depreciation of certain machineries for shield tunneling construction are calculated on the units of production method, the depreciation of other property, plant and equipment is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Categories	**Annual rates**
Buildings	2.4%
Machinery	9.6%–24.3%
Production equipment	6.5%
Motor vehicles	9.0%–12.1%
Measurement and experimental equipment	9.6%–16.2%
Office equipment and others	19.0%–32.3%
Leasehold improvement	10%–20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents property, plant and equipment under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Software

Purchased software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life.

Research and development costs

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding five to seven years, commencing from the date when the products are put into commercial production.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in profit or loss. The loss arising from impairment is recognised in profit or loss in finance costs for loans and in other expenses for receivables.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in profit or loss as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (*i.e.*, removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (*i.e.*, the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited in profit or loss.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is removed from other comprehensive income and recognised in profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss — is removed from other comprehensive income and recognised in profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables and other payables.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and bank balances

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and bank balances comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the country in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the rendering of services, on the percentage of completion basis, as further explained in the accounting policy for "Contracts for services" below;

(b) from construction contracts, on the percentage of completion basis, as further explained in the accounting policy for "Construction contracts" below;

(c) rental income, on a time proportion basis over the lease terms;

(d) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and

(e) dividend income, when the shareholders' right to receive payment has been established.

Contracts for services

Contract revenue on the rendering of services comprises the agreed contract amount. Costs of rendering services comprise direct labour, the cost of subcontracting and other costs of personnel directly engaged in providing the services and attributable overheads.

Revenue from the rendering of services is recognised based on the percentage of completion of the transaction, provided that the revenue, the costs incurred and the estimated costs to completion can be measured reliably. The percentage of completion is established by reference to the costs incurred to date as compared to the total costs to be incurred under the transaction. Where the outcome of a contract cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

Provision is made for foreseeable losses as soon as they are anticipated by management. Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Construction contract

Contract revenue comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments. Contract costs incurred comprise direct materials, the costs of subcontracting, direct labour and an appropriate proportion of variable and fixed construction overheads.

Revenue from fixed price construction contracting is recognised on the percentage of completion method, measured by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract.

Provision is made for foreseeable losses as soon as they are anticipated by management. Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, *i.e.*, assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Dividends proposed by the Directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Foreign currencies

The Financial Information is presented in RMB, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (*i.e.*, translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

Employee benefits

Retirement benefits

(a) Social pension plans

The Group has the social pension plans for its employees arranged by local government labour and security authorities. The Group makes contributions on a monthly basis to the social pension plans. The contributions are charged to profit or loss as they become payable in accordance with the rules of the social pension plans. Under the plans, the Group has no further obligation beyond the contributions made.

(b) Annuity plan

The Group provides an annuity plan to the voluntary or eligible employees. Contributions are made based on a percentage of the voluntary or eligible employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the plan. Under the plan, the Group has no further obligations beyond the contributions made.

(c) Supplementary retirement benefits

The Group also provides the following supplementary retirement benefits: (1) the retirement pension subsidies, medical benefits and other supplementary benefits to retirees who retired before 31 December 2012; (2) the supplementary allowances to the beneficiaries and dependents of retirees who retired before 31 December 2012; and (3) the heating allowances to its employees upon their retirements. These supplementary retirement benefits are considered to be defined benefit plans as the Group is obligated to the above retirees and employees. The obligations recognised in the consolidated statements of financial position in respect of these defined benefit plans is the present value of the defined benefit obligations at the end of each reporting period. The defined benefit obligation is calculated by independent qualified actuaries using the projected unit credit method annually, or when any material changes in the plans and key assumptions will occur. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government securities which have maturity approximating to the terms of the related pension liability. Re-measurements arising from experience adjustments and changes in actuarial assumptions are recognised immediately in the consolidated statements of financial position with a corresponding debit or credit to other comprehensive income in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss at the earlier of:

- the date of the plan amendment or curtailment; and
- the date that the Group recognises restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation under "cost of sales" and "administrative expenses" in the consolidated statement of comprehensive income by function:

- service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and
- net interest expense or income

Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

Housing fund and other social insurances

The Group has participated in defined social security contribution schemes for its employees pursuant to the relevant laws and regulations of the PRC. These include housing fund, basic medical insurance, unemployment insurance, injury insurance and maternity insurance. The Group makes monthly contributions to the housing fund and other social insurances. The contributions are charged to profit or loss on an accrual basis. The Group has no further obligations beyond the contributions made.

Apart from those described above, the Group does not have any other legal or constructive obligations over employee benefits.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Useful lives and residual values of items of property, plant and equipment

In determining the useful lives and residual values of items of property, plant and equipment, the Group periodically reviews the changes in market conditions, expected physical wear and tear, and the maintenance of the asset. The estimation of the useful life of the asset is based on historical experience of the Group with similar assets that are used in a similar way. Depreciation amount will be adjusted if the estimated useful lives and/or the residual values of items of property, plant and equipment are different from previous estimation. Useful lives and residual values are reviewed at the end of the reporting period based on changes in circumstances.

Depreciation of certain machineries for shield tunneling construction on the units of production method

Shield machineries' cost are depreciated using the unit of production method (the "UOP"). The calculation of the UOP rate of depreciation can fluctuate from initial estimates. This could generally results when there are significant changes in any of the factors or assumptions used in estimating the useful shield tunneling production, notably changes in the assumptions used in determining the economic feasibility of the useful shield tunneling production. The estimation of the useful shield tunneling production of the asset is based on recent production, technical information and authoritative guidelines regarding the engineering criteria. Assessment of UOP rates against the estimated useful shield tunneling production is performed regularly.

Percentage of completion of construction and service works

The Group recognises revenue according to the percentage of completion of individual contracts of construction and service work, which requires estimation to be made by management. The stage of completion is estimated by reference to the actual costs incurred over the total budgeted costs. Due to the nature of the activity undertaken in construction contracting and contracts for services, the date at which the activity is entered into and the date at which the activity is completed usually fall into different accounting periods. Hence, the Group reviews and revises the percentage of completion of construction and service works. Where the actual contract revenue is less than expected or actual contract costs are more than expected, a foreseeable loss may arise.

Estimation of total budgeted costs and cost to completion for construction contracting and contracts for services

Total budgeted costs for construction contracting and contract for services comprise (i) direct material costs and direct labour, (ii) costs of subcontracting, and (iii) an appropriation of variable and fixed construction and services overheads. In estimating the total budgeted costs for construction contracting and contract for services, management makes reference to information such as (i) current offers from subcontractors and suppliers, (ii) recent offers agreed with subcontractors and suppliers, and (iii) professional estimation on material costs, labour costs and other costs.

Current income tax and deferred income tax

The Group is subject to income taxes in numerous jurisdictions in the PRC. Estimation is required in determining the provision for taxation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the current income tax and deferred income tax in the periods in which the differences arise.

In 2010, the Company was identified as a "high and new technology enterprise" and entitled to a preferential income tax at a rate of 15% during the period between 1 January 2010 and 31 December 2012. In March 2014, the Company successfully renewed the certificate of "high and new technology enterprise" for another three years of 2013, 2014 and 2015. However, the Company's operating scope has been expanded as a result of the Reorganisation as set out in note 1 of this section, therefore, after obtaining the renewed "high and new technology enterprise" certificate, the Company should notify Beijing Municipal Science and Technology Commission of the expanded operating scope. If Beijing Municipal Science and Technology Commission requires a reassessment of the "high and new technology enterprise" qualification and the Company fails to pass the reassessment, the Company would no longer be entitled to the preferential tax treatment, which would impact on the Company's current income tax and deferred income tax in the future. Further details are included in note 10 of this section.

Deferred tax assets

Deferred tax assets relating to certain deductible temporary differences are recognised as management considers it is probable that future taxable profits will be available against which the unused temporary differences or unused tax losses can be utilised. The realisation of the deferred tax assets mainly depends on whether sufficient future taxable profits or taxable temporary differences will be available in the future. In cases where the actual future taxable profits generated are less than expected, a material reversal of deferred tax assets may arise, which will be recognised in profit or loss in the period in which such a reversal takes place.

Impairment of trade receivables

The Group maintains an allowance for estimated loss arising from the inability of its customers to make the required payments. The Group makes its estimates based on the ageing of its trade receivable balances, customers' creditworthiness, and historical write-off experience. If the financial condition of its customers deteriorates such that the actual impairment loss might be higher than expected, the Group would be required to revise the basis for making the allowance and its future results would be affected.

5. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their services and has two reportable operating segments as follows:

(a) Design, survey and consultancy — this segment engages in the provision of services on designing, surveying and mapping, monitoring and consulting services in the engineering of urban rail transit, municipal management and construction;

(b) Urban rail transit construction contracting — this segment engages in the provision of services relating to construction contracting in urban rail transit.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss before tax. The adjusted profit or loss before tax is measured consistently with the Group's profit before tax.

Segment assets exclude deferred tax assets as these assets are managed on a group basis. Cash and bank balances and pledged deposits are also managed on a group basis after the Company was converted into a joint stock company with limited liability on 28 October 2013.

Segment liabilities exclude tax payable and dividends payable to shareholders as they are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Year ended 31 December 2011

	Design, survey and consultancy	Construction contracting	Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue:				
Sales to external customers	1,154,343	2,255,312	—	3,409,655
Intersegment sales	10,604	—	(10,604)	—
Total revenue	1,164,947	2,255,312	(10,604)	3,409,655
Segment results	165,304	37,526	(149)	202,681
Income tax expense				(40,072)
Profit for the year				162,609
Segment assets	1,921,609	2,825,453	(20,021)	4,727,041
Unallocated assets				
— Deferred tax assets				62,894
Total assets				4,789,935
Segment liabilities	1,506,661	2,653,614	(26,329)	4,133,946
Unallocated liability				
— Tax payable				114,729
Total liabilities				4,248,675
Other segment information:				
Interest income	3,813	1,396	—	5,209
Finance costs	—	(2,272)	—	(2,272)
Share of profits and losses of:				
Joint ventures	151	—	—	151
Associates	547	—	—	547
Depreciation	10,388	19,295	—	29,683
Amortisation	1,527	—	—	1,527
Provision for/(reversal of)				
— foreseeable losses on contracts	6,455	(1,332)	—	5,123
— impairment on trade receivables, deposits and other receivables	20,915	1,797	—	22,712
Investments in joint ventures	5,651	—	—	5,651
Investments in associates	4,064	—	—	4,064
Capital expenditure*	48,406	3,753	—	52,159

Year ended 31 December 2012

	Design, survey and consultancy	Construction contracting	Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue:				
Sales to external customers	1,258,284	1,435,256	—	2,693,540
Intersegment sales	11,598	—	(11,598)	—
Total revenue	1,269,882	1,435,256	(11,598)	2,693,540
Segment results	197,873	33,353	(178)	231,048
Income tax expense				(33,000)
Profit for the year				198,048
Segment assets	2,323,775	2,397,450	(16,581)	4,704,644
Unallocated assets				
— Deferred tax assets				78,768
Total assets				4,783,412
Segment liabilities	1,764,004	2,217,170	(16,979)	3,964,195
Unallocated liability				
— Tax payable				137,953
Total liabilities				4,102,148
Other segment information:				
Interest income	3,731	920	—	4,651
Finance costs	—	(2,430)	—	(2,430)
Share of profits and losses of:				
Joint ventures	(431)	—	—	(431)
Associates	(395)	—	—	(395)
Depreciation	14,436	10,227	—	24,663
Amortisation	1,332	—	—	1,332
Provision for/(reversal of)				
— foreseeable losses on contracts	4,649	(1,086)	—	3,563
— impairment on trade receivables, deposits and other receivables	23,910	4,130	—	28,040
Investments in joint ventures	2,288	—	—	2,288
Investments in associates	7,552	—	—	7,552
Capital expenditure*	59,715	4,746	—	64,461

Year ended 31 December 2013

	Design, survey and consultancy	Construction contracting	Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue:				
Sales to external customers	1,522,118	1,401,367	—	2,923,485
Intersegment sales	4,070	—	(4,070)	—
Total revenue	1,526,188	1,401,367	(4,070)	2,923,485
Segment results	270,012	41,735	(1,429)	310,318
Income tax expense				(74,052)
Profit for the year				236,266
Segment assets	1,614,430	1,804,970	(77,967)	3,341,433
Unallocated assets				
— Deferred tax assets				66,079
— Cash and bank balances				1,790,728
— Pledged deposits				27,032
Total assets				5,225,272
Segment liabilities	1,920,046	1,573,002	(77,508)	3,415,540
Unallocated liabilities				
— Tax payable				176,097
— Dividends payable				75,068
Total liabilities				3,666,705
Other segment information:				
Interest income	12,292	951	(2,100)	11,143
Finance costs	—	(1,376)	—	(1,376)
Share of profits and losses of:				
Joint ventures	(651)	—	—	(651)
Associates	1,893	—	—	1,893
Depreciation	17,683	22,474	—	40,157
Amortisation	2,259	—	—	2,259
Provision for/(reversal of)				
— foreseeable losses on contracts	7,816	56	—	7,872
— impairment on trade receivables, deposits and other receivables	21,198	(365)	—	20,833
Investments in joint ventures	1,637	—	—	1,637
Investments in associates	9,225	—	—	9,225
Capital expenditure*	23,543	2,416	—	25,959

Note:

* Capital expenditure mainly consists of additions of property, plant and equipment and intangible assets.

Geographical information

(a) Revenue from external customers

	Year ended 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Mainland China	3,355,759	2,593,187	2,776,846
Other countries	53,896	100,353	146,639
	3,409,655	2,693,540	2,923,485

The revenue information above is based on the locations of customers.

(b) Non-current assets

	As at 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Mainland China	315,321	377,579	371,755

All the non-current assets are located in Mainland China. The non-current assets information above excludes deferred tax assets and available-for-sale investments.

Information about a major customer

During the Relevant Periods, the revenue generated from one of the Group's customers accounted for over 10% of the Group's total revenue:

Year ended 31 December 2011

	Design, survey and consultancy	Construction contracting	Total
	RMB'000	RMB'000	RMB'000
Customer A	205,650	1,825,355	2,031,005

Year ended 31 December 2012

	Design, survey and consultancy	Construction contracting	Total
	RMB'000	RMB'000	RMB'000
Customer A	208,373	1,012,353	1,220,726

Year ended 31 December 2013

	Design, survey and consultancy	Construction contracting	Total
	RMB'000	RMB'000	RMB'000
Customer A	173,064	940,946	1,114,010

6. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents: (1) the values of services rendered; and (2) appropriate proportion of contract revenue of construction contracting.

An analysis of the Group's revenue, other income and gains is as follows:

	Year ended 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Revenue			
Design, survey and consultancy	1,154,343	1,258,284	1,522,118
Construction contracting	2,255,312	1,435,256	1,401,367
	3,409,655	2,693,540	2,923,485
Other income and gains			
Interest income	5,209	4,651	11,143
Gain on disposal of a joint venture	—	13,180	—
Gain on disposal of an associate	151	—	—
Gains on disposal of financial products included in prepayments, deposits and other receivables	183	—	109
Others*	2,154	683	415
	7,697	18,514	11,667

Note:

* Others mainly represented foreign exchange gains and other miscellaneous gains.

7. FINANCE COSTS

Finance costs	Year ended 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Interest on other borrowings wholly repayable within five years	8,393	25,637	12,042
Interest capitalised	(6,121)	(23,207)	(10,666)
	2,272	2,430	1,376

8. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

		Year ended 31 December		
	Notes	2011	2012	2013
		RMB'000	RMB'000	RMB'000
Cost of design, survey and consultancy		781,070	849,585	1,018,140
Cost of construction contracting		2,182,389	1,366,114	1,318,643
Total cost of sales		2,963,459	2,215,699	2,336,783
Depreciation of items of property, plant and equipment (note (a))	14	29,683	24,663	40,157
Amortisation of prepaid land lease payments	15	—	—	710
Amortisation of intangible assets	16	1,527	1,332	1,549
Total depreciation and amortisation		31,210	25,995	42,416
Impairment of trade receivables	24	21,194	28,980	18,705
Impairment/(reversal of impairment) of deposits and other receivables	25	1,518	(940)	2,128
Total impairment losses, net		22,712	28,040	20,833
Provision for foreseeable losses on contracts		5,123	3,563	7,872
Minimum lease payments under operating leases of land and buildings (note (b))		16,414	25,604	23,322
Auditors' remuneration		417	702	1,487
Employee benefit expenses (including Directors' and supervisors' remuneration) (note (c)):				
Wages, salaries and allowances		496,070	556,773	611,465
Retirement benefit costs				
— Defined contribution retirement schemes		52,446	61,902	63,238
— Defined benefit retirement schemes (note 29 (c))		3,300	3,020	3,020
Total retirement benefit costs		55,746	64,922	66,258
Welfare and other expenses		72,527	81,566	106,092
Interest income		(5,209)	(4,651)	(11,143)
Gains on disposal of financial products included in prepayments, deposits and other receivables		(183)	—	(109)
Loss on disposal of items of property, plant and equipment, net		317	545	277
Gain on disposal of a joint venture		—	(13,180)	—
Gain on disposal of an associate		(151)	—	—
Foreign exchange differences, net		1,294	(429)	2,871

Note:

(a) Depreciation of approximately RMB27,139,000, RMB22,005,000 and RMB35,447,000 is included in cost of sales in the consolidated statements of comprehensive income for each of the three years ended 31 December 2011, 2012 and 2013.

(b) Minimum lease payments of approximately RMB12,339,000, RMB12,961,000 and RMB15,019,000 is included in cost of sales in the consolidated statements of comprehensive income for each of the three years ended 31 December 2011, 2012 and 2013.

(c) Employee benefit expenses of approximately RMB506,593,000, RMB589,958,000 and RMB649,792,000 is included in cost of sales in the consolidated statements of comprehensive income for each of the three years ended 31 December 2011, 2012 and 2013.

9. DIRECTORS' AND SUPERVISORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

(a) Directors' and supervisors' remuneration

The aggregate amounts of remuneration of the Directors and supervisors of the Company during the Relevant Periods, disclosed pursuant to the Hong Kong Listing Rules and Section 161 of the Hong Kong Companies Ordinance, are as follows:

	Year ended 31 December		
	2011	**2012**	**2013**
	RMB'000	**RMB'000**	**RMB'000**
Fees	—	—	—
Other emoluments:			
— Salaries, allowances and benefits in kind	1,386	1,380	1,335
— Performance-related bonuses	2,829	2,735	2,517
— Pension schemes	312	326	294
	4,527	4,441	4,146

The names of the Directors and supervisors and their remuneration for the Relevant Periods are as follows:

Year ended 31 December 2011

	Fees	Salaries, allowances and benefits in kind	Performance-related bonuses	Pension scheme	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive Directors					
Mr. Wang Hanjun (王漢軍) (i) *(Chief executive)*	—	116	309	21	446
Mr. Li Guoqing (李國慶)	—	260	430	47	737
	—	376	739	68	1,183
Non-executive Directors					
Mr. Liao Guocai (廖國才) (v)	—	208	582	49	839
Ms. Dong Gengran (董更然) (v)	—	211	419	49	679
Mr. Xu Xiaodong (徐曉冬) (v)	—	210	376	48	634
Ms. Wang Liping (王麗萍) (i)	—	—	—	—	—
Mr. Song Minhua (宋敏華) (ii) (v)	—	—	—	—	—
Mr. Guo Deming (郭德明) (ii)(v)	—	—	—	—	—
	—	629	1,377	146	2,152
Supervisors					
Mr. Pan Min (潘閩) (v)	—	213	356	51	620
Mr. Shi Tiezhu (史鐵柱) (v)	—	168	357	47	572
Mr. Yu Zhanqiang (魚占強) (ii) (v)	—	—	—	—	—
Mr. Zhang Chuanjing (張川京) (v)	—	—	—	—	—
Ms. Li Li (李莉) (v)	—	—	—	—	—
Ms. Dong Liying (董立穎) (v)	—	—	—	—	—
Mr. Song Zhidong (宋志棟) (v)	—	—	—	—	—
	—	381	713	98	1,192
	—	1,386	2,829	312	4,527

Year ended 31 December 2012

	Fees	Salaries, allowances and benefits in kind	Performance-related bonuses	Pension scheme	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive Directors					
Mr. Wang Hanjun (王漢軍) *(Chief executive)*	—	228	441	52	721
Mr. Li Guoqing (李國慶)	—	274	440	52	766
	—	502	881	104	1,487
Non-executive Directors					
Mr. Liao Guocai (廖國才) (v)	—	219	526	55	800
Ms. Dong Gengran (董更然) (v)	—	224	366	55	645
Mr. Xu Xiaodong (徐曉冬) (v)	—	223	385	53	661
Ms. Wang Liping (王麗萍)	—	—	—	—	—
	—	666	1,277	163	2,106
Supervisors					
Mr. Pan Min (潘閩) (iii) (v)	—	33	104	9	146
Mr. Shi Tiezhu (史鐵柱) (v)	—	179	473	50	702
Mr. Shu Jinhui (舒錦會) (v)	—	—	—	—	—
Mr. Zhang Chuanjing (張川京) (iii) (v)	—	—	—	—	—
Ms. Li Li (李莉) (iii) (v)	—	—	—	—	—
Ms. Dong Liying (董立穎) (v)	—	—	—	—	—
Mr. Song Zhidong (宋志棟) (v)	—	—	—	—	—
Ms. Wen Lixia (聞利霞) (iv) (v)	—	—	—	—	—
	—	212	577	59	848
	—	1,380	2,735	326	4,441

Year ended 31 December 2013

	Fees	Salaries, allowances and benefits in kind	Performance-related bonuses	Pension scheme	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive Directors					
Mr. Wang Hanjun (王漢軍) *(Chief executive)*	—	240	490	57	787
Mr. Li Guoqing (李國慶)	—	285	490	57	832
	—	525	980	114	1,619
Non-executive Directors					
Mr. Liao Guocai (廖國才) (v)	—	194	417	50	661
Ms. Dong Gengran (董更然) (v) (vi)	—	18	70	6	94
Mr. Xu Xiaodong (徐曉冬) (v)	—	195	350	48	593
Ms. Wang Liping (王麗萍)	—	—	—	—	—
Mr. Xu Jianyun (徐賤雲) (vii)	—	—	—	—	—
Mr. Chen Daihua (陳代華) (vii)	—	—	—	—	—
Mr. Hao Weiya (郝偉亞) (vii)	—	—	—	—	—
Mr. Su Bin (蘇斌) (vii)	—	—	—	—	—
Mr. Kong Lingbin (孔令斌) (vii)	—	—	—	—	—
	—	407	837	104	1,348
Independent Non-executive Directors					
Mr. Zhang Fengchao (張鳳朝) (viii)	—	—	—	—	—
Mr. Yan Feng (閻峰) (viii)	—	—	—	—	—
Mr. Sun Maozhu (孫茂竹) (viii)	—	—	—	—	—
Mr. Liang Qinghuai (梁青槐) (viii)	—	—	—	—	—
	—	—	—	—	—
Supervisors					
Mr. Shi Tiezhu (史鐵柱) (v)	—	295	477	48	820
Mr. Shu Jinhui (舒錦會) (v)	—	—	—	—	—
Ms. Dong Liying (董立穎) (v)	—	—	—	—	—
Mr. Song Zhidong (宋志棟) (v)	—	—	—	—	—
Ms. Wen Lixia (聞利霞) (iv) (v)	—	—	—	—	—
Ms. Mi Jianzhou (彌建洲) (vii)	—	39	70	9	118
Mr. Wang Jingang (王金剛) (vii)	—	35	50	9	94
Mr. Zhang Wei (張巍) (vii)	—	34	103	10	147
Mr. Yao Guanghong (姚廣紅) (vii)	—	—	—	—	—
Ms. Nie Kun (聶菎) (vii)	—	—	—	—	—
Mr. Li Wenhong (李文鴻) (vii)	—	—	—	—	—
Mr. Chen Rui (陳瑞) (vii)	—	—	—	—	—
Mr. Ren Chong (任崇) (vii)	—	—	—	—	—
	—	403	700	76	1,179
	—	1,335	2,517	294	4,146

Those Directors and supervisors who received no emoluments for the Relevant Periods did so because they did not receive any remuneration in the capacity of their services as Directors and supervisors.

Notes:

(i) Mr. Wang Hanjun was appointed as an executive director and the chief executive of the Company in replacement of Ms. Wang Liping with effect from July 2011. Ms. Wang Liping has become a non-executive director since then.

(ii) Mr. Song Minhua and Mr. Guo Deming resigned as non-executive Directors with effect from 14 January 2011. And Mr. Yu Zhanqiang resigned as a supervisor of the Company with effect from 7 July 2011.

(iii) Mr. Pan Min resigned as a supervisor of the Company with effect from 1 April 2012. And Mr. Zhang Chuanjing and Ms. Li Li resigned as supervisors of the Company with effect from 16 February 2012.

(iv) Ms. Wen Lixia was appointed as a supervisor of the Company with effect from 16 February 2012 and resigned with effect from 1 August 2013.

(v) These persons were the non-executive Directors and supervisors of the Company prior to the transformation of the Company into a joint stock company with limited liability on 28 October 2013.

(vi) Ms. Dong Gengran resigned as a non-executive Director with effect from 1 February 2013.

(vii) These persons were appointed as non-executive Directors and supervisors of the Company after the transformation of the Company into a joint stock company with limited liability with effect from 28 October 2013.

(viii) These persons were appointed as independent non-executive Directors with effect from 16 December 2013.

(b) Five highest paid employees

An analysis of the headcounts of the five highest paid employees within the Group for the Relevant Periods is as follows:

	Year ended 31 December		
	2011	**2012**	**2013**
Directors	1	—	—
Supervisors	—	—	—
Non-director and non-supervisor employees	4	5	5
	5	5	5

Details of the Directors' and supervisors' remuneration are set out above.

Details of the remuneration of the above non-director and non-supervisor, highest paid employees are as follows:

	Year ended 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Salaries, allowances and benefits in kind	712	974	1,069
Performance-related bonuses	2,372	3,389	3,437
Pension scheme	186	253	283
	3,270	4,616	4,789

The number of non-director and non-supervisor, highest paid employees whose remuneration fell within the following bands is as follows:

	Year ended 31 December		
	2011	2012	2013
Nil to HK$1,000,000	3	—	—
HK$1,000,001 to HK$1,500,000	1	5	5
HK$1,500,001 to HK$2,000,000	—	—	—

During the Relevant Periods, no Directors, supervisors or none of the non-director and non-supervisor, highest paid individuals waived or agreed to waive any emoluments. And no emoluments were paid by the Group to the Directors and supervisors or any of the non-director and non-supervisor, highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

10. INCOME TAX EXPENSE

The Company and a subsidiary of the Company have been identified as "high and new technology enterprise" and were entitled to a preferential income tax at a rate of 15% for the years ended 31 December 2011 and 2012 in accordance with the PRC Corporate Income Tax Law. Other entities within the Group in Mainland China were subject to corporate income tax at a statutory rate of 25%.

In March 2014, the Company and the subsidiary obtained the renewal of the formal certificates of "high and new technology enterprise" for the three years of 2013, 2014 and 2015 from Beijing Municipal Science and Technology Commission. In April 2014, the Company submitted all the required documents to its in-charge tax bureau to support its "high and new technology enterprise" status, and have completed the filing process. Although the Company still needs to notify Beijing Municipal Science and Technology Commission of its expanded operating scope as a result of the Reorganisation as set out in note 1 of this section, which may bring a reassessment on its "high and new technology enterprise" qualification, the Directors believe that the Company should be entitled to a preferential income tax at a rate of 15% for the year ended 31 December 2013 in accordance with the PRC Corporate Income Tax Law.

No Hong Kong profits tax has been provided because the Group did not generate any assessable profits in Hong Kong during the Relevant Periods.

	Year ended 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Current income tax - Mainland China	43,753	48,874	61,363
Deferred income tax (note 21)	(3,681)	(15,874)	12,689
Tax charge for the year	40,072	33,000	74,052

A reconciliation of the income tax expense applicable to profit before tax at the statutory income tax rate to the income tax expense at the Group's effective income tax rate for the Relevant Periods is as follows:

	Year ended 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Profit before tax	202,681	231,048	310,318
Income tax charge at the statutory income tax rate	50,670	57,762	77,580
Effect of preferential income tax rate for some entities	(18,770)	(25,835)	(33,124)
Tax effect of share of profits and losses of joint ventures and associates	(175)	207	(311)
Expenses not deductible for tax purposes	8,347	12,034	9,395
Effect on deferred tax of changes in rates	—	(11,168)	20,512
Tax charge for the year at the effective rate	40,072	33,000	74,052

11. PROFITS ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profits attributable to owners of the parent for the three years ended 31 December 2011, 2012 and 2013 includes profits of RMB148,475,000, RMB188,091,000 and RMB189,427,000 which have been dealt with in the financial statements of the Company.

12. DIVIDENDS

The dividends during the Relevant Periods are set out below:

	Year ended 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Dividends declared to owners of the parent	36,257	59,584	—
Special dividend declared to BUCG (i)	—	—	40,000
Special dividend declared to BUCG and the Beneficial Shareholders (ii)	—	—	35,068
	36,257	59,584	75,068

Note:

The rates of distribution are not presented as this information is not meaningful for the purpose of this report.

(i) On 24 May 2013, the capital injection of RMB703 million to the Company from the Beneficial Shareholders was completed. Pursuant to the capital injection agreement, the Company declared the special dividend to BUCG which is the net profit attributable to BUCG generated in the period from 1 January 2013 to 31 May 2013 amounting to RMB40 million.

(ii) Pursuant to a resolution passed by the shareholders of the Company (i.e. BUCG and the Beneficial Shareholders) on 16 December 2013, all the shareholders of the Company prior to the completion of the [**REDACTED**] are entitled to a special dividend for 30% of the distributable net profit generated in the period from 1 June 2013 to 31 December 2013, and the distribution is based on their respective shareholding in the Company.

The final amount of such special dividend of RMB35.07 million was approved by the shareholders of the Company on 18 April 2014.

13. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT

The calculation of basic earnings per share amounts is based on the profit attributable to owners of the parent and the weighted average number of ordinary shares in issue during the Relevant Periods.

The Group had no potential dilutive ordinary shares in issue during the Relevant Periods.

	Year ended 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Earnings:			
Profit for the year attributable to owners of the parent	157,643	194,423	235,563

	Year ended 31 December		
	2011	2012	2013
	'000	'000	'000
Number of shares:			
Weighted average number of ordinary shares for the purpose of basic earnings per share	598,000	598,000	785,833

For the purpose of presenting earnings per share, the weighted average number of ordinary shares for each of the Relevant Periods was computed by reference to the 920,000,000 shares issued by the Company on 28 October 2013 as set out in note 30 (iii), and under the basis that 598,000,000 ordinary shares had been issued to BUCG throughout the Relevant Periods, and 322,000,000 ordinary shares had been issued to the Beneficial Shareholders upon the completion of capital injection by the Beneficial Shareholders in May 2013.

14. PROPERTY, PLANT AND EQUIPMENT

Group

Year ended 31 December 2011

	Buildings	Machinery	Production equipment	Motor vehicles	Measurement and experimental equipment	Office equipment and others	Construction in progress	Leasehold improvement	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2010 and at 1 January 2011:									
Cost	55,843	161,814	528	25,387	23,944	32,435	7,636	733	308,320
Accumulated depreciation	(6,721)	(19,501)	(177)	(7,404)	(7,467)	(20,149)	—	(242)	(61,661)
Net carrying amount	49,122	142,313	351	17,983	16,477	12,286	7,636	491	246,659
At 1 January 2011, net of accumulated depreciation	49,122	142,313	351	17,983	16,477	12,286	7,636	491	246,659
Additions	29,298	3,153	340	5,010	3,045	4,091	1,971	7,085	53,993
Disposals	—	—	—	(592)	—	(92)	—	—	(684)
Depreciation provided during the year	(1,405)	(18,961)	(73)	(2,503)	(2,476)	(4,019)	—	(246)	(29,683)
At 31 December 2011, net of accumulated depreciation	77,015	126,505	618	19,898	17,046	12,266	9,607	7,330	270,285
At 31 December 2011:									
Cost	85,141	164,967	868	29,360	26,989	33,569	9,607	7,818	358,319
Accumulated depreciation	(8,126)	(38,462)	(250)	(9,462)	(9,943)	(21,303)	—	(488)	(88,034)
Net carrying amount	77,015	126,505	618	19,898	17,046	12,266	9,607	7,330	270,285

Group

Year ended 31 December 2012

	Buildings	Machinery	Production equipment	Motor vehicles	Measurement and experimental equipment	Office equipment and others	Construction in progress	Leasehold improvement	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2011 and at 1 January 2012:									
Cost	85,141	164,967	868	29,360	26,989	33,569	9,607	7,818	358,319
Accumulated depreciation	(8,126)	(38,462)	(250)	(9,462)	(9,943)	(21,303)	—	(488)	(88,034)
Net carrying amount	77,015	126,505	618	19,898	17,046	12,266	9,607	7,330	270,285
At 1 January 2012, net of accumulated depreciation	77,015	126,505	618	19,898	17,046	12,266	9,607	7,330	270,285
Additions	35,722	1,509	634	2,491	1,867	7,366	3,933	8,963	62,485
Transfers	—	13,540	—	—	—	—	(13,540)	—	—
Disposals	—	(708)	—	(303)	—	(10)	—	—	(1,021)
Depreciation provided during the year	(2,361)	(10,082)	(93)	(2,763)	(2,751)	(3,816)	—	(2,797)	(24,663)
At 31 December 2012, net of accumulated depreciation	110,376	130,764	1,159	19,323	16,162	15,806	—	13,496	307,086
At 31 December 2012:									
Cost	120,863	178,935	1,502	31,251	28,856	40,788	—	16,781	418,976
Accumulated depreciation	(10,487)	(48,171)	(343)	(11,928)	(12,694)	(24,982)	—	(3,285)	(111,890)
Net carrying amount	110,376	130,764	1,159	19,323	16,162	15,806	—	13,496	307,086

Group

Year ended 31 December 2013

	Buildings	Machinery	Production equipment	Motor vehicles	Measurement and experimental equipment	Office equipment and others	Leasehold improvement	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2012 and at 1 January 2013:								
Cost	120,863	178,935	1,502	31,251	28,856	40,788	16,781	418,976
Accumulated depreciation	(10,487)	(48,171)	(343)	(11,928)	(12,694)	(24,982)	(3,285)	(111,890)
Net carrying amount	110,376	130,764	1,159	19,323	16,162	15,806	13,496	307,086
At 1 January 2013, net of accumulated depreciation	110,376	130,764	1,159	19,323	16,162	15,806	13,496	307,086
Additions	3,297	1,395	391	5,425	2,973	6,598	2,279	22,358
Disposals	–	–	–	(377)	–	(159)	–	(536)
Depreciation provided during the year	(2,946)	(22,390)	(134)	(3,089)	(2,902)	(4,742)	(3,954)	(40,157)
At 31 December 2013, net of accumulated depreciation	110,727	109,769	1,416	21,282	16,233	17,503	11,821	288,751
At 31 December 2013:								
Cost	124,160	180,330	1,888	34,763	31,829	46,992	19,060	439,022
Accumulated depreciation	(13,433)	(70,561)	(472)	(13,481)	(15,596)	(29,489)	(7,239)	(150,271)
Net carrying amount	110,727	109,769	1,416	21,282	16,233	17,503	11,821	288,751

Company

Year ended 31 December 2011

	Buildings	Machinery	Motor vehicles	Measurement and experimental equipment	Office equipment and others	Construction in progress	Leasehold improvement	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2011:								
Cost	55,843	156,323	19,569	1,966	27,609	7,636	138	269,084
Accumulated depreciation	(6,721)	(15,375)	(5,726)	(236)	(17,349)	—	(138)	(45,545)
Net carrying amount	49,122	140,948	13,843	1,730	10,260	7,636	—	223,539
At 1 January 2011, net of accumulated depreciation	49,122	140,948	13,843	1,730	10,260	7,636	—	223,539
Additions	29,298	2,353	4,395	—	3,662	1,971	7,085	48,764
Disposals	—	—	(380)	—	(81)	—	—	(461)
Depreciation provided during the year	(1,405)	(18,698)	(1,927)	(315)	(3,351)	—	(110)	(25,806)
At 31 December 2011, net of accumulated depreciation	77,015	124,603	15,931	1,415	10,490	9,607	6,975	246,036
At 31 December 2011:								
Cost	85,141	158,676	23,191	1,966	28,385	9,607	7,223	314,189
Accumulated depreciation	(8,126)	(34,073)	(7,260)	(551)	(17,895)	—	(248)	(68,153)
Net carrying amount	77,015	124,603	15,931	1,415	10,490	9,607	6,975	246,036

Company

Year ended 31 December 2012

	Buildings	Machinery	Motor vehicles	Measurement and experimental equipment	Office equipment and others	Construction in progress	Leasehold improvement	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2012:								
Cost	85,141	158,676	23,191	1,966	28,385	9,607	7,223	314,189
Accumulated depreciation	(8,126)	(34,073)	(7,260)	(551)	(17,895)	—	(248)	(68,153)
Net carrying amount	77,015	124,603	15,931	1,415	10,490	9,607	6,975	246,036
At 1 January 2012, net of accumulated depreciation	77,015	124,603	15,931	1,415	10,490	9,607	6,975	246,036
Additions	35,722	—	1,893	—	6,757	3,933	8,963	57,268
Transfers	—	13,540	—	—	—	(13,540)	—	—
Disposals	—	(707)	(303)	—	(2)	—	—	(1,012)
Depreciation provided during the year	(2,361)	(9,747)	(2,164)	(315)	(3,213)	—	(2,656)	(20,456)
At 31 December 2012, net of accumulated depreciation	110,376	127,689	15,357	1,100	14,032	—	13,282	281,836
At 31 December 2012:								
Cost	120,863	171,136	24,484	1,966	35,103	—	16,186	369,738
Accumulated depreciation	(10,487)	(43,447)	(9,127)	(866)	(21,071)	—	(2,904)	(87,902)
Net carrying amount	110,376	127,689	15,357	1,100	14,032	—	13,282	281,836

Company

Year ended 31 December 2013

	Buildings	Machinery	Motor vehicles	Measurement and experimental equipment	Office equipment and others	Leasehold improvement	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2012 and at 1 January 2013:							
Cost	120,863	171,136	24,484	1,966	35,103	16,186	369,738
Accumulated depreciation	(10,487)	(43,447)	(9,127)	(866)	(21,071)	(2,904)	(87,902)
Net carrying amount	110,376	127,689	15,357	1,100	14,032	13,282	281,836
At 1 January 2013, net of accumulated depreciation	110,376	127,689	15,357	1,100	14,032	13,282	281,836
Additions	3,297	1,391	3,092	–	4,185	470	12,435
Disposals	–	–	(313)	–	(156)	–	(469)
Depreciation provided during the year	(2,946)	(22,024)	(2,275)	(323)	(4,079)	(3,668)	(35,315)
At 31 December 2013, net of accumulated depreciation	110,727	107,056	15,861	777	13,982	10,084	258,487
At 31 December 2013:							
Cost	124,160	172,527	25,932	1,966	39,092	16,656	380,333
Accumulated depreciation	(13,433)	(65,471)	(10,071)	(1,189)	(25,110)	(6,572)	(121,846)
Net carrying amount	110,727	107,056	15,861	777	13,982	10,084	258,487

To date, the Group is in the process of applying for the title certificates of certain of its buildings with an aggregate net carrying amount of approximately RMB32,300,000 as at 31 December 2013. The Directors are of the view that the Group is entitled to lawfully and validly occupy and use the above-mentioned buildings. The Directors are also of the opinion that the aforesaid matter will not have any significant impact on the Group's financial position as at 31 December 2013.

15. PREPAID LAND LEASE PAYMENTS

Group and Company

	Year ended 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Carrying amount at beginning of the year	1,580	1,580	35,486
Addition upon the Reorganisation	—	33,906	—
Amortisation for the year	—	—	(710)
Carrying amount at end of the year	1,580	35,486	34,776
Portion classified as current assets	—	(710)	(710)
Non-current portion	1,580	34,776	34,066

The leasehold land is situated in Mainland China and is held on a lease between 10 years to 50 years.

16. INTANGIBLE ASSETS

Group

	Year ended 31 December		
Software	2011	2012	2013
	RMB'000	RMB'000	RMB'000
At beginning of the year:			
Cost	8,186	8,705	10,681
Accumulated amortisation for the year	(4,005)	(5,532)	(6,864)
Net carrying amount	4,181	3,173	3,817
Cost at beginning of the year, net of accumulated amortisation	4,181	3,173	3,817
Additions	519	1,976	3,601
Amortisation provided during the year	(1,527)	(1,332)	(1,549)
At end of the year	3,173	3,817	5,869
At end of the year:			
Cost	8,705	10,681	14,282
Accumulated amortisation for the year	(5,532)	(6,864)	(8,413)
Net carrying amount	3,173	3,817	5,869

Company

	Year ended 31 December		
Software	**2011**	**2012**	**2013**
	RMB'000	**RMB'000**	**RMB'000**
At beginning of the year:			
Cost	8,186	8,705	10,011
Accumulated amortisation for the year	(4,005)	(5,532)	(6,825)
Net carrying amount	4,181	3,173	3,186
Cost at beginning of the year, net of accumulated amortisation	4,181	3,173	3,186
Additions	519	1,306	3,548
Amortisation provided during the year	(1,527)	(1,293)	(1,481)
At end of the year	3,173	3,186	5,253
At end of the year:			
Cost	8,705	10,011	13,559
Accumulated amortisation for the year	(5,532)	(6,825)	(8,306)
Net carrying amount	3,173	3,186	5,253

17. INVESTMENTS IN SUBSIDIARIES

Company

	As at 31 December		
	2011	**2012**	**2013**
	RMB'000	**RMB'000**	**RMB'000**
Unlisted investments, at cost	13,976	47,525	49,525

Particulars of the subsidiaries of the Company are set out in note 1 of this section.

18. INVESTMENTS IN JOINT VENTURES

Group

	As at 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Share of net assets	5,651	2,288	1,637

Company

	As at 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Unlisted investment, at cost	6,766	2,600	2,600

The Group's balances with the joint ventures are disclosed in note 28 of this section.

Particulars of the Group's joint ventures are as follows:

Company name*	Note	Place and date of registration and business	Registered and paid-in capital	Percentage of equity interest attributable to the Company		Principal activities
				Direct	Indirect	
Beijing "Urban Rapid Rail Transit" Journal Press Co., Ltd. ("北京《都市快軌交通》雜誌社有限公司")		The PRC/ Mainland China 16 October 2003	RMB300,000	50%	—	Publishing, design, and advertising
Beijing Huajie Construction Supervision Co., Ltd. ("Huajie") ("北京華捷建設監理有限公司")	(i)	The PRC/ Mainland China 16 June 1993	RMB3,000,000	54%	—	Construction management and supervision
Zhengzhou Rail Transit Design & Research Institute Co., Ltd. ("鄭州市軌道交通設計研究院有限公司")		The PRC/ Mainland China 26 April 2011	RMB5,000,000	49%	—	Engineering design and consulting

* The English names of the companies registered in the PRC represent the best efforts of the management of the Company in directly translating the Chinese names of the companies as no English names have been registered.

(i) On 29 February 2012, the Company disposed of all its equity interests in Huajie to an independent third party. Therefore, from the date of disposal onward, Huajie ceased to be accounted for as a joint venture of the Group.

The percentages of voting power and profit sharing are the same as the percentage of equity interest attributable to the Group.

The aggregate financial information of the Group's joint ventures that are not individually material is set out below:

	As at 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Share of the joint ventures' assets and liabilities:			
Assets	8,555	2,562	2,222
Liabilities	(2,904)	(274)	(585)
Net assets	5,651	2,288	1,637

	Year ended 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Share of the joint ventures' results:			
Revenue	5,544	821	1,302
Profit/(loss) for the year	151	(431)	(651)
Other comprehensive income	—	—	—
Total comprehensive income	151	(431)	(651)

The joint ventures had no contingent liabilities or capital commitments as at the end of each of the Relevant Periods.

19. INVESTMENTS IN ASSOCIATES

Group

	As at 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Share of net assets	4,064	7,552	9,225

Company

	As at 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Unlisted investment, at cost	1,600	5,600	5,600

The Group's trade receivables, prepayments and other receivables, trade payables and other payables and advances from customers balances with the associates are disclosed in notes 24, 25, 27 and 28 of this section, respectively.

Particulars of the Group's associates are as follows:

Company name*	Notes	Place and date of registration and business	Registered and paid-in capital	Percentage of equity interest attributable to the Company		Principal activities
				Direct	Indirect	
Beijing Urban Engineering Shunjie Electronic Graphic Design Co., Ltd. ("北京城建順捷電子圖文設計製作有限責任公司")		The PRC/ Mainland China 30 June 1994	RMB500,000	20%	—	Graphic design, blueprint, binding and photocopying
Beijing Ruitonghengzhi Consulting Co., Ltd. ("Ruitonghengzhi") ("北京瑞通恒智諮詢有限責任公司")	(i)	The PRC/ Mainland China 24 December 2004	RMB100,000	30%	—	Engineering consulting
Beijing Agiletech Engineering Consultants Co., Ltd. ("Agiletech") ("北京安捷工程諮詢有限公司")	(ii)	The PRC/ Mainland China 25 January 2007	RMB5,000,000	30%	21%	Engineering consulting
Beijing Rail Transit Design & Research Institute Co., Ltd. ("北京市軌道交通設計研究院有限公司")		The PRC/ Mainland China 15 November 2012	RMB10,000,000	40%	—	Engineering design and consulting

* The English names of the companies registered in the PRC represent the best efforts of the management of the Company in directly translating the Chinese names of the companies as no English names have been registered.

(i) On 31 October 2011, the Company disposed of all its equity interest in Ruitonghengzhi to an independent third party. Therefore, from the date of disposal onward, Ruitonghengzhi ceased to be accounted for as an associate of the Group.

(ii) During the Relevant Periods, the Group owned more than half of equity interests in Agiletech. Pursuant to the articles of association of Agiletech, the Group has no power to exercise control or joint control over Agiletech. Therefore Agiletech was accounted for as an associate of the Group.

The percentages of voting power and profit sharing are the same as the percentage of equity interests attributable to the Group.

The aggregate financial information of the Group's associates that are not individually material is set out below:

	As at 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Share of the associates' assets and liabilities:			
Assets	9,203	14,793	21,136
Liabilities	(5,139)	(7,241)	(11,911)
Net assets	4,064	7,552	9,225

	Year ended 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Share of the associates' results:			
Revenue	14,808	17,530	26,089
Profit/(loss) for the year	547	(395)	1,893
Other comprehensive income	—	—	—
Total comprehensive income/(loss)	547	(395)	1,893

20. AVAILABLE-FOR-SALE INVESTMENTS

Group

	As at 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Unlisted equity investments, at cost	4,950	4,950	4,950
Impairment	(1,300)	(1,300)	(1,300)
Investments, net	3,650	3,650	3,650

Company

	As at 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Unlisted equity investments, at cost	4,650	4,650	4,650
Impairment	(1,000)	(1,000)	(1,000)
Investments, net	3,650	3,650	3,650

The unlisted equity investments are unlisted equity investments in entities established in Mainland China. The investments are measured at cost less impairment at each reporting date because they do not have quoted market prices in an active market and the range of reasonable fair value estimates is so significant that the Directors are of the opinion that their fair values cannot be measured reliably. The Group does not intend to dispose of them in the near future.

21. DEFERRED TAX ASSETS

The movements in deferred tax assets during the Relevant Periods are as follows:

Group

	Year ended 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Deferred tax assets:			
At beginning of the year	59,213	62,894	78,768
Deferred tax credited/(charged) to profit or loss during the year (note 10)	3,681	15,874	(12,689)
At end of the year	62,894	78,768	66,079

Company

	Year ended 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Deferred tax assets:			
At beginning of the year	52,814	55,709	68,715
Deferred tax credited/(charged) to profit or loss during the year	2,895	13,006	(13,948)
At end of the year	55,709	68,715	54,767

The deferred tax assets are attributed to the following items:

Group

	As at 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Deferred tax assets:			
Provision for impairment of receivables	21,404	33,340	31,171
Provision for impairment of available-for-sale investments	325	325	325
Provision for foreseeable losses on construction and service contracts	4,726	2,315	1,636
Accrued but not paid salaries, wages and benefits	32,105	35,351	27,352
Differences on depreciation of property, plant and equipment	4,028	3,374	3,736
Unrealised gains arising from intra-group transactions	306	4,063	1,859
	62,894	78,768	66,079

Company

	As at 31 December		
	2011	**2012**	**2013**
	RMB'000	**RMB'000**	**RMB'000**
Deferred tax assets:			
Provision for impairment of receivables	19,082	29,095	28,221
Provision for impairment of available-for-sale investments	250	250	250
Provision for foreseeable losses on construction and services contracts	3,289	990	538
Accrued but not paid salaries, wages and benefits	29,060	35,006	22,022
Differences on depreciation of property, plant and equipment	4,028	3,374	3,736
	55,709	68,715	54,767

As at 31 December 2011, 2012 and 2013, there were no unrecognised deferred tax assets in respect of deductible temporary differences and unused tax losses.

22. INVENTORIES

Group and Company

	As at 31 December		
	2011	**2012**	**2013**
	RMB'000	**RMB'000**	**RMB'000**
Raw materials	9,537	19,936	18,824
Spare parts and consumables	5,562	3,339	2,542
	15,099	23,275	21,366

23. AMOUNTS DUE FROM/(TO) CONTRACT CUSTOMERS

Group

Construction contracts

	As at 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Amount due from contract customers	1,121,333	1,486,029	564,955
Amount due to contract customers	(19,785)	(108,819)	(21,510)
	1,101,548	1,377,210	543,445

	As at 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Contract costs incurred plus recognised profits less recognised losses to date	10,496,237	11,667,527	13,432,419
Less: Progress billings received and receivable	(9,394,689)	(10,290,317)	(12,888,974)
	1,101,548	1,377,210	543,445

Contracts for services

	As at 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Amount due from contract customers	556,508	686,268	775,131
Amount due to contract customers	(444,954)	(489,398)	(652,593)
	111,554	196,870	122,538

	As at 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Contract costs incurred plus recognised profits less recognised losses to date	4,628,630	5,935,688	7,429,477
Less: Progress billings received and receivable	(4,517,076)	(5,738,818)	(7,306,939)
	111,554	196,870	122,538

Company

Construction contracts

	As at 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Amount due from contract customers	1,147,628	1,503,198	565,414
Amount due to contract customers	(19,785)	(108,819)	(21,510)
	1,127,843	1,394,379	543,904

	As at 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Contract costs incurred plus recognised profits less recognised losses to date	10,522,532	11,684,696	13,432,878
Less: Progress billings received and receivable	(9,394,689)	(10,290,317)	(12,888,974)
	1,127,843	1,394,379	543,904

Contracts for services

	As at 31 December		
	2011	**2012**	**2013**
	RMB'000	**RMB'000**	**RMB'000**
Amount due from contract customers	362,663	442,051	564,239
Amount due to contract customers	(346,020)	(402,898)	(546,708)
	16,643	39,153	17,531

	As at 31 December		
	2011	**2012**	**2013**
	RMB'000	**RMB'000**	**RMB'000**
Contract costs incurred plus recognised profits less recognised losses to date	3,347,184	4,341,745	5,445,005
Less: Progress billings received and receivable	(3,330,541)	(4,302,592)	(5,427,474)
	16,643	39,153	17,531

24. TRADE AND BILLS RECEIVABLES

Trade receivables represented receivables for contract works. The payment terms of contract work receivables are stipulated in relevant contracts. The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period offered by the Group is six months. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade and bills receivables are non-interest-bearing.

Group

	As at 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Trade receivables	1,212,513	1,175,840	1,540,710
Provision for impairment	(92,693)	(121,673)	(140,378)
Trade receivables, net	1,119,820	1,054,167	1,400,332
Bills receivable	52,873	5,700	7,000
	1,172,693	1,059,867	1,407,332
Portion classified as non-current assets[(i)]	(17,130)	(3,956)	(13,609)
Current portion	1,155,563	1,055,911	1,393,723

Company

	As at 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Trade receivables	1,103,271	1,051,132	1,438,764
Provision for impairment	(79,651)	(105,350)	(127,159)
Trade receivables, net	1,023,620	945,782	1,311,605
Bills receivable	52,473	5,300	7,000
	1,076,093	951,082	1,318,605
Portion classified as non-current assets[(i)]	(17,130)	(3,956)	(13,609)
Current portion	1,058,963	947,126	1,304,996

(i) The non-current portion of trade receivables mainly represents the amounts of retentions held by customers at the end of each of the Relevant Periods.

At the end of each of the Relevant Periods, the amounts of retentions held by customers for contract works included in trade receivables are approximately as follows:

	As at 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Amounts of retentions in trade receivables	21,193	25,149	21,628

An aged analysis of the Group's and the Company's trade receivables, based on the billing date and net of provision for impairment of trade receivables, as at the end of each of the Relevant Periods is as follows:

Group

	As at 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Within 3 months	636,850	350,055	618,892
3 months to 6 months	122,634	145,334	165,414
6 months to 1 year	186,647	243,397	247,165
1 to 2 years	105,150	227,945	215,250
2 to 3 years	53,262	50,270	101,229
3 to 4 years	11,074	32,311	37,094
4 to 5 years	3,138	3,423	13,976
Over 5 years	1,065	1,432	1,312
	1,119,820	1,054,167	1,400,332

Company

	As at 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Within 3 months	612,114	328,398	592,446
3 months to 6 months	100,177	128,231	152,176
6 months to 1 year	160,364	221,101	242,307
1 to 2 years	95,956	191,430	188,071
2 to 3 years	44,918	46,492	89,385
3 to 4 years	7,913	26,998	34,762
4 to 5 years	1,632	2,366	11,594
Over 5 years	546	766	864
	1,023,620	945,782	1,311,605

The movements in provision for impairment of trade receivables are as follows:

Group

	Year ended 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
At beginning of the year	71,499	92,693	121,673
Impairment losses recognised	21,482	29,355	22,866
Impairment losses reversed	(288)	(375)	(4,161)
At end of the year	92,693	121,673	140,378

Included in the above provision for impairment of trade receivables are provisions for individually impaired trade receivables of RMB49,752,000, RMB63,863,000 and RMB66,990,000 with aggregate carrying amounts before provision of RMB153,013,000, RMB410,720,000 and RMB363,506,000 as at 31 December 2011, 2012 and 2013, respectively.

Company

	Year ended 31 December		
	2011	**2012**	**2013**
	RMB'000	**RMB'000**	**RMB'000**
At beginning of the year	61,135	79,651	105,350
Impairment losses recognised	18,804	26,074	23,441
Impairment losses reversed	(288)	(375)	(1,632)
At end of the year	79,651	105,350	127,159

Included in the above provision for impairment of trade receivables are provisions for individually impaired trade receivables of RMB47,754,000, RMB61,199,000 and RMB64,992,000 with aggregate carrying amounts before provision of RMB151,015,000, RMB400,562,000 and RMB361,508,000 as at 31 December 2011, 2012 and 2013, respectively.

The individually impaired trade receivables relate to customers that were in default in principal payments or were in financial difficulties and only a portion of the receivables is expected to be recovered.

An aged analysis of the trade receivables, that are neither individually nor collectively considered to be impaired, is as follows:

Group

	As at 31 December		
	2011	**2012**	**2013**
	RMB'000	**RMB'000**	**RMB'000**
Neither past due nor impaired	759,484	495,389	784,306

Company

	As at 31 December		
	2011	**2012**	**2013**
	RMB'000	**RMB'000**	**RMB'000**
Neither past due nor impaired	712,291	456,629	744,622

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

The amounts due from BUCG, fellow subsidiaries and other related parties included in the trade receivables are as follows:

Group

	As at 31 December		
	2011	**2012**	**2013**
	RMB'000	**RMB'000**	**RMB'000**
BUCG	1,123	5,516	1,383
Beneficial Shareholders and their affiliates[(ii)]	—	—	587,690
Fellow subsidiaries	829	1,352	711
Associates of BUCG	261	—	30
	2,213	6,868	589,814

Company

	As at 31 December		
	2011	**2012**	**2013**
	RMB'000	**RMB'000**	**RMB'000**
BUCG	768	809	718
Beneficial Shareholders and their affiliates[(ii)]	—	—	568,066
Fellow subsidiaries	201	287	170
	969	1,096	568,954

The above amounts are unsecured, non-interest-bearing and repayable on similar credit terms to those offered to other major customers of the Group.

(ii) The injection of capital from the Beneficial Shareholders was completed on 24 May 2013 as set out in note 1 of this section and the Beneficial Shareholders and their affiliates became related parties of the Group from then on. Therefore the amounts due from the Beneficial Shareholders and their affiliates as at 31 December 2013 were included in the outstanding balances with related parties.

The balances with the Beneficial Shareholders and their affiliates represented the unsettled amounts from rendering of design, survey, consultancy and construction contracting services to the Beneficial Shareholders and their affiliates in the past. The transactions with the Beneficial Shareholders and their affiliates from 24 May to 31 December 2013 were disclosed as related party transactions as set out in note 36(a) of this section.

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Group

	As at 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Deposits and other receivables	1,092,576	462,835	161,225
Provision for impairment of deposits and other receivables	(12,624)	(11,684)	(13,812)
	1,079,952	451,151	147,413
Prepayments to suppliers	105,924	143,542	74,254
Interest receivables	769	706	2,389
Dividend receivables	306	102	151
Others	15,187	13,797	4,534
	1,202,138	609,298	228,741
Portion classified as non-current assets(i)	(13,438)	(18,104)	(18,598)
Current portion	1,188,700	591,194	210,143

Company

	As at 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Deposits and other receivables	1,088,256	445,819	161,183
Provision for impairment of deposits and other receivables	(11,319)	(11,027)	(12,850)
	1,076,937	434,792	148,333
Prepayments to suppliers	118,090	144,607	86,859
Interest receivables	769	706	2,389
Dividend receivables	180	60	2,760
Others	11,859	11,344	—
	1,207,835	591,509	240,341
Portion classified as non-current assets(i)	(14,150)	(16,960)	(18,353)
Current portion	1,193,685	574,549	221,988

(i) The non-current portion of deposits and other receivables mainly represents performance guarantee amounts held by customers at the end of each of the Relevant Periods.

The movements in provision for impairment of deposits and other receivables are as follows:

Group

	Year ended 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
At beginning of the year	11,136	12,624	11,684
Impairment losses recognised	1,518	558	2,479
Impairment losses reversed	—	(1,498)	(351)
Amount written off as uncollectible	(30)	—	—
At end of the year	12,624	11,684	13,812

Included in the above provision for impairment of other receivables are provisions for individually impaired other receivables of RMB6,181,000, RMB6,308,000 and RMB6,457,000 with aggregate carrying amounts before provision of RMB6,911,000, RMB8,036,000 and RMB8,296,000 as at 31 December 2011, 2012 and 2013, respectively.

Company

	Year ended 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
At beginning of the year	9,880	11,319	11,027
Impairment losses recognised	1,469	558	2,174
Impairment losses reversed	—	(850)	(351)
Amount written off as uncollectible	(30)	—	—
At end of the year	11,319	11,027	12,850

Included in the above provision for impairment of other receivables are provisions for individually impaired other receivables of RMB6,181,000 RMB6,308,000 and RMB6,457,000 with aggregate carrying amounts before provision of RMB6,911,000, RMB8,036,000 and RMB8,296,000 as at 31 December 2011, 2012 and 2013, respectively.

An aged analysis of the deposits and other receivables, that are neither individually nor collectively considered to be impaired, is as follows:

Group

	As at 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Neither past due nor impaired	1,035,097	413,109	112,699

Company

	As at 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Neither past due nor impaired	1,034,802	398,821	121,268

None of the balances except for the deposits and other receivables disclosed above is either past due or impaired, as they related to balances for which there was no recent history of default.

The amounts due from BUCG, fellow subsidiaries, subsidiaries and other related parties included in the prepayments, deposits and other receivables are as follows:

Group

	As at 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
BUCG	986,019	319,359	—
Fellow subsidiaries	8,722	8,428	1,499
Associates	4,463	6,842	14,358
Associates of BUCG	12,253	37,944	24,500
A Beneficial Shareholder	—	—	4,933
	1,011,457	372,573	45,290

Company

	As at 31 December		
	2011	**2012**	**2013**
	RMB'000	**RMB'000**	**RMB'000**
BUCG	979,830	305,387	—
Subsidiaries	20,478	8,724	29,686
Fellow subsidiaries	8,722	7,953	1,499
Associates	4,463	6,842	14,358
Associates of BUCG	12,253	37,944	24,500
A Beneficial Shareholder	—	—	4,933
	1,025,746	366,850	74,976

Except for the deposits with BUCG, the above amounts are unsecured, non-interest-bearing and have no fixed terms of settlement.

The deposits with BUCG included in the above amounts due from BUCG are as follows:

	As at 31 December		
	2011	**2012**	**2013**
	RMB'000	**RMB'000**	**RMB'000**
BUCG	386,019	318,959	—

The above deposits with BUCG are unsecured and bear interest at rates ranging from 0.36% to 0.50% per annum during the Relevant Periods.

26. CASH AND BANK BALANCES AND PLEDGED DEPOSITS

Group

	As at 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Cash and bank balances	320,125	446,808	1,281,144
Time deposits	50,742	33,220	536,616
	370,867	480,028	1,817,760
Less: Pledged bank balances for bidding guarantees and performance guarantees	(33,987)	(31,220)	(27,032)
Cash and bank balances in the consolidated statements of financial position	336,880	448,808	1,790,728
Less: Non-pledged time deposits with original maturity of more than three months when acquired	—	—	(304,583)
Cash and cash equivalents in the consolidated statements of cash flows	336,880	448,808	1,486,145
Cash and bank balances and time deposits denominated in:			
— RMB	345,221	412,413	1,665,091
— Other currencies	25,646	67,615	152,669
	370,867	480,028	1,817,760

Company

	As at 31 December		
	2011	**2012**	**2013**
	RMB'000	**RMB'000**	**RMB'000**
Cash and bank balances	230,930	380,318	1,129,951
Time deposits	35,226	18,044	515,506
	266,156	398,362	1,645,457
Less: Pledged bank balances for bidding guarantees and performance guarantees	(18,471)	(16,044)	(11,922)
Cash and bank balances in the statements of financial position	247,685	382,318	1,633,535
Cash and bank balances and time deposits denominated in:			
— RMB	240,510	330,747	1,492,788
— Other currencies	25,646	67,615	152,669
	266,156	398,362	1,645,457

The RMB is not freely convertible into other currencies. However, under the Mainland China's prevailing rules and regulations over foreign exchange, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

27. TRADE PAYABLES

An aged analysis of the trade payables, as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

Group

	As at 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Within 6 months	772,345	585,236	667,132
6 months to 1 year	384,183	150,781	249,247
1 to 2 years	575,513	354,777	210,466
2 to 3 years	135,597	408,401	120,834
Over 3 years	34,638	114,198	133,531
	1,902,276	1,613,393	1,381,210

Company

	As at 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Within 6 months	758,467	571,588	630,722
6 months to 1 year	354,550	123,896	242,400
1 to 2 years	574,032	336,837	195,175
2 to 3 years	134,429	408,184	106,764
Over 3 years	33,831	112,491	131,520
	1,855,309	1,552,996	1,306,581

Trade payables are non-interest-bearing and are normally settled within six to nine months.

The amounts due to fellow subsidiaries, subsidiaries, associates and associates of BUCG included in the trade payables are as follows:

Group

	As at 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Fellow subsidiaries	363,229	306,222	131,583
Associates	367	184	6,406
Associates of BUCG	225,138	186,318	124,741
	588,734	492,724	262,730

Company

	As at 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Subsidiaries	8,390	33,713	29,193
Fellow subsidiaries	363,229	295,222	113,219
Associates	367	184	6,406
Associates of BUCG	216,073	176,449	124,741
	588,059	505,568	273,559

28. OTHER PAYABLES, ADVANCES FROM CUSTOMERS AND ACCRUALS

Group

	As at 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Advances from customers	757,717	903,685	807,915
Accrued salaries, wages and benefits	171,497	165,877	195,917
Other taxes payable	105,966	130,672	137,402
Retention payables	92,553	95,488	81,355
Dividends payable to shareholders	—	—	75,068
Dividends payable to non-controlling interests	—	1,133	185
Other payables	560,286	380,650	68,053
	1,688,019	1,677,505	1,365,895
Portion classified as non-current liabilities(i)	(35,655)	(13,565)	(16,303)
Current portion	1,652,364	1,663,940	1,349,592

Company

	As at 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Advances from customers	678,825	754,427	753,197
Accrued salaries, wages and benefits	151,635	148,068	160,464
Other taxes payable	91,512	108,413	103,397
Retention payables	92,100	95,438	81,108
Dividends payable to shareholders	—	—	75,068
Other payables	551,291	373,306	57,940
	1,565,363	1,479,652	1,231,174
Portion classified as non-current liabilities(i)	(35,655)	(13,565)	(16,303)
Current portion	1,529,708	1,466,087	1,214,871

(i) The non-current portion mainly represents the performance guaranteed amounts from subcontractors and suppliers of the Group at the end of each of the Relevant Periods.

The above amounts are unsecured, non-interest-bearing and have no fixed terms of settlement, except for the performance guaranteed amounts and the borrowings from BUCG as detailed below.

The amounts due to BUCG, fellow subsidiaries and other related parties, included in other payables, advances from customers and accruals are as follows:

Group

	As at 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
BUCG	470,123	313,017	77,512
Beneficial Shareholders and their affiliates(ii)	—	—	162,302
Fellow subsidiaries	16,267	30,307	3,643
An associate	1	7,359	4,320
A joint venture	293	—	—
Associates of BUCG	27,647	30,325	14,921
	514,331	381,008	262,698

Company

	As at 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
BUCG	462,246	309,331	77,512
Beneficial Shareholders and their affiliates(ii)	—	—	153,449
Fellow subsidiaries	16,107	14,264	3,416
An associate	1	7,359	4,320
A joint venture	293	—	—
Associates of BUCG	26,782	28,912	14,839
	505,429	359,866	253,536

(ii) The injection of capital from the Beneficial Shareholders was completed on 24 May 2013 as set out in note 1 of this section and the Beneficial Shareholders and their affiliates became related parties of the Group from then on. Therefore, the advances from and dividends payable to the Beneficial Shareholders and their affiliates as at 31 December 2013 were included in the outstanding balances with related parties.

The balances with the Beneficial Shareholders and their affiliates represented the amounts received in advance for rendering of design, survey, consultancy and construction contracting services to the Beneficial Shareholders and their affiliates. The transactions with the Beneficial Shareholders and their affiliates from 24 May to 31 December 2013 were disclosed as related party transactions as set out in note 36(a) of this section.

Except for the borrowings from BUCG, the above amounts are unsecured, non-interest-bearing and have no fixed terms of settlement.

The borrowings from BUCG included in the above amount due to BUCG are as follows:

	As at 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
BUCG	371,619	221,619	—

The above borrowings from BUCG are unsecured and bear interest at rates ranging from 6.00% to 6.56% per annum during the Relevant Periods and are repayable in one or two years.

29. PROVISIONS FOR SUPPLEMENTARY RETIREMENT BENEFITS

The Group has the following supplementary retirement benefits: (1) the retirement pension subsidies, medical benefits and other supplementary benefits to retirees who retired before 31 December 2012; (2) the supplementary allowances to the beneficiaries and dependents of retirees who retired before 31 December 2012; and (3) the heating allowances to its employees upon their retirement. These supplementary retirement benefits are considered to be defined benefit plans as the Group is obligated to provide retirement benefits to these above retirees and employees.

The Group's obligations in respect of the above supplementary retirement benefits at the end of each of the Relevant Periods were computed by an independent qualified actuarial firm, Towers Watson Consulting Company Limited (韜睿惠悦資詢公司) using the projected unit credit method.

The components of net benefit expenses recognised in profit or loss and the amounts recognised in the statements of financial position are summarised below:

(a) The provisions for supplementary retirement benefits recognised in the statements of financial position are shown as follows:

Group

	As at 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
At end of the year	78,912	75,080	69,400
Portion classified as current liabilities	(4,682)	(5,169)	(5,250)
Non-current portion	74,230	69,911	64,150

Company

	As at 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
At end of the year	68,408	65,074	60,164
Portion classified as current liabilities	(4,014)	(4,570)	(4,660)
Non-current portion	64,394	60,504	55,504

(b) The movements of the provisions for supplementary retirement benefits are as follows:

Group

	Year ended 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
At beginning of the year	75,439	78,912	75,080
Interest costs on benefit obligations	2,950	2,620	2,680
Current service costs	350	400	340
Benefits paid during the year	(4,367)	(4,682)	(4,070)
Re-measurement losses/(gains) recognised in other comprehensive income	4,540	(2,170)	(4,630)
At end of the year	78,912	75,080	69,400

Company

	Year ended 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
At beginning of the year	65,473	68,408	65,074
Interest costs on benefit obligations	2,560	2,280	2,310
Current service costs	240	280	190
Benefits paid during the year	(3,805)	(4,013)	(3,500)
Re-measurement losses/(gains) recognised in other comprehensive income	3,940	(1,881)	(3,910)
At end of the year	68,408	65,074	60,164

The details of re-measurement losses/(gains) recognised in other comprehensive income of the Group during the Relevant Periods are as follows:

Group

	Year ended 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Actuarial changes arising from changes in financial assumptions	4,540	(2,170)	(7,540)
Liability experience adjustments	—	—	2,910
Re-measurement losses/(gains) recognised in other comprehensive income	4,540	(2,170)	(4,630)

(c) The net expenses recognised in profit or loss in respect of the provisions for supplementary retirement benefits of the Group are as follows:

Group

	Year ended 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Interest cost on benefit obligations	2,950	2,620	2,680
Current service cost	350	400	340
Net benefit expenses recognised in administrative expenses (note 8)	3,300	3,020	3,020

(d) The principal actuarial assumptions used in valuing the provisions for supplementary retirement benefits as at the end of each of the Relevant Periods are as follows:

Group

	As at 31 December		
	2011	2012	2013
Discount rates	3.50%	3.75%	4.00%
Mortality rate	Average life expectancy of residents in Mainland China		
Average annual benefit increase:			
— Cost of living adjustment for internal retirees	4.00%	4.00%	4.00%
— Medical expenses	8.00%	8.00%	8.00%
— Withdrawal rate for actives	2.00%	2.00%	2.00%

The average duration of the provisions for supplementary retirement benefits and early retirement benefits at the end of each of the Relevant Periods is as follows:

	As at 31 December		
	2011	**2012**	**2013**
Average life expectancy	42.1	41.2	41.4

(e) The quantitative sensitivity analysis of the provisions for supplementary retirement benefits as at the end of each of the Relevant Periods is as follows:

Group

	Increase in rate	**Increase/ (decrease) in provisions for supplementary retirement benefits**	**Decrease in rate**	**Increase/ (decrease) in provisions for supplementary retirement benefits**
	%	**RMB'000**	**%**	**RMB'000**
As at 31 December 2011				
Discount rate	0.25	(2,250)	(0.25)	2,260
Future medical expense	0.25	710	(0.25)	(670)
As at 31 December 2012				
Discount rate	0.25	(2,000)	(0.25)	2,100
Future medical expense	0.25	710	(0.25)	(680)
As at 31 December 2013				
Discount rate	0.25	(1,700)	(0.25)	1,780
Future medical expense	0.25	660	(0.25)	(630)

The sensitivity analysis above have been determined based on a method that extrapolates the impact on the provisions for supplementary retirement benefits as a result of reasonable changes in key assumptions occurring at the end of each of the Relevant Periods.

30. PAID-IN CAPITAL/SHARE CAPITAL

	As at 31 December		
	2011	**2012**	**2013**
	RMB'000	**RMB'000**	**RMB'000**
Paid-in capital/Share capital	32,000	150,000	920,000

The movements in paid-in capital/share capital are as follows:

		Paid-in capital			Share capital
	Notes	Year ended 31 December			Year ended 31 December
		2011 RMB'000	2012 RMB'000	2013 RMB'000	2013 RMB'000
At beginning of the year		32,000	32,000	150,000	—
Capitalisation of statutory surplus reserve	(i)	—	18,800	—	—
Capitalisation of retained profits	(i)	—	99,200	—	—
Cash contribution from the Beneficial Shareholders	(ii)	—	—	80,769	—
Transformation into a joint stock company					
– Conversion into share capital	(iii)	—	—	(230,769)	230,769
– Capitalisation of capital reserve	(iii)	—	—	—	689,231
At end of the year		32,000	150,000	—	920,000

Notes:

(i) Pursuant to the resolution passed by the board of directors in March 2012, the Company's paid-in capital was increased from RMB32 million to RMB150 million by capitalisation of statutory surplus reserve of RMB18.8 million and retained profits of RMB99.2 million.

(ii) On 17 May 2013, the paid-in capital was increased from RMB150 million to RMB231 million by a cash contribution from the Beneficial Shareholders. The Beneficial Shareholders contributed cash of RMB703 million, of which RMB81 million was recorded as paid-in capital, and the remaining RMB622 million was recorded as capital reserve.

(iii) On 28 October 2013, the Company was converted from a limited liability into a joint stock company with limited liability. The initial share capital of the Company is RMB920,000,000 divided into 920,000,000 shares with the par value of RMB1 each. The share capital is paid up by capitalisation of the paid-in capital of RMB231 million and capitalisation of capital reserve of RMB689 million.

31. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity.

(b) Company

	Capital reserve	Statutory surplus reserve	Special reserve	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2011	215,690	21,814	—	86,073	323,577
Profit for the year	—	—	—	152,412	152,412
Other comprehensive income/(loss)	(3,940)	—	—	—	(3,940)
Total comprehensive income/(loss)	(3,940)	—	—	152,412	148,472
Capital contribution from BUCG	2,353	—	—	—	2,353
Appropriation to statutory surplus reserve	—	12,551	—	(12,551)	—
Dividends declared	—	—	—	(36,257)	(36,257)
Transfer to special reserve	—	—	46,015	(46,015)	—
Utilisation of special reserve	—	—	(46,015)	46,015	—
As at 31 December 2011 and 1 January 2012	214,103	34,365	—	189,677	438,145
Profit for the year	—	—	—	190,656	190,656
Other comprehensive income	1,881	—	—	—	1,881
Total comprehensive income	1,881	—	—	190,656	192,537
Capital contribution from BUCG	40,517	—	—	—	40,517
Appropriation to statutory surplus reserve	—	16,769	—	(16,769)	—
Dividends declared	—	—	—	(59,584)	(59,584)
Transfer to paid-in capital	—	(18,800)	—	(99,200)	(118,000)
Transfer to special reserve	—	—	29,362	(29,362)	—
Utilisation of special reserve	—	—	(29,362)	29,362	—
As at 31 December 2012 and 1 January 2013	256,501	32,334	—	204,780	493,615
Profit for the year	—	—	—	192,561	192,561
Other comprehensive income	3,910	—	—	—	3,910
Total comprehensive income	3,910	—	—	192,561	196,471
Capital contribution from the Beneficial Shareholders	622,391	—	—	—	622,391
Capitalisation of capital reserve on transformation into joint stock company (note 30(iii))	(689,231)	—	—	—	(689,231)
Appropriation to statutory surplus reserve	—	19,341	—	(19,341)	—
Dividends declared	—	—	—	(75,068)	(75,068)
Transfer to special reserve	—	—	26,207	(26,207)	—
Utilisation of special reserve	—	—	(26,207)	26,207	—
As at 31 December 2013	193,571	51,675	—	302,932	548,178

32. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

During the Relevant Periods, the Group had the following major non-cash transactions:

		Year ended 31 December		
	Notes	**2011**	**2012**	**2013**
		RMB'000	**RMB'000**	**RMB'000**
Liability waived by BUCG	(i)	—	33,906	—
Injection of machineries	(ii)	2,353	—	—
Increase in share capital by capitalisation of capital reserve	30(iii)	—	—	689,231
Increase in paid-in capital by capitalisation of statutory surplus reserve	30(i)	—	18,800	—
Increase in paid-in capital by capitalisation of retained profits	30(i)	—	99,200	—
		2,353	151,906	689,231

Notes:

(i) The amount represents the land transfer fee waived by BUCG relating to the leasehold land where the Company's office has been located pursuant to the Reorganisation as set out in note 1 of this section and is presented as an increase in capital reserve in the consolidated statements of changes in equity.

(ii) The amount represents the contributions of net assets relating to the construction contracting business from BUCG as part of the Reorganisation as set out in note 1 of this section and is presented as an increase in capital reserve in the consolidated statements of changes in equity.

33. PLEDGE OF ASSETS

Details of the Group's assets pledged for letters of guarantee and performance guarantees are disclosed in note 26 of this section.

34. OPERATING LEASE ARRANGEMENTS

As lessee

At the end of each of the Relevant Periods, the Group and the Company had the following total future minimum lease payments under non-cancellable operating leases falling due as follows:

Group

	As at 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Within one year	21,816	18,448	27,469
In the second to fifth years, inclusive	53,421	50,053	57,274
After five years	65,005	52,025	41,092
	140,242	120,526	125,835

Company

	As at 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Within one year	17,052	16,143	17,655
In the second to fifth years, inclusive	46,745	45,972	46,141
After five years	55,000	44,000	33,000
	118,797	106,115	96,796

35. COMMITMENTS

Capital commitments at the end of each of the Relevant Periods not provided for in the Financial Information were as follows:

Group

	As at 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Capital expenditure in respect of			
Property, plant and equipment:			
— Contracted, but not provided for	10,132	—	45,000
— Authorised, but not contracted for	27,059	8,295	400
	37,191	8,295	45,400

Company

	As at 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Capital expenditure in respect of			
Property, plant and equipment:			
— Contracted, but not provided for	10,132	—	45,000
— Authorised, but not contracted for	24,154	4,229	400
	34,286	4,229	45,400

36. RELATED PARTY TRANSACTIONS

(a) The Group had the following material transactions with related parties during the Relevant Periods:

	Note	Year ended 31 December 2011	2012	2013
		RMB'000	RMB'000	RMB'000
Design, survey and consultancy services provided to:				
BUCG		1,336	7,208	6,035
Fellow subsidiaries		3,373	17,355	8,536
Associates of BUCG		27	1,108	2,474
Beneficial Shareholders and their affiliates	(i)	—	—	164,271
		4,736	25,671	181,316
Construction contracting services provided to:				
A fellow subsidiary		64,513	—	—
Beneficial Shareholders and their affiliates	(i)	—	—	391,157
		64,513	—	391,157
Construction contracting services provided by:				
Fellow subsidiaries		104,854	61,501	82,005
Associates of BUCG		117,908	34,968	70,560
		222,762	96,469	152,565
Design, survey and consultancy services provided by:				
Associates		11,790	12,558	20,405
A fellow subsidiary		—	11,000	15,864
		11,790	23,558	36,269
Borrowings provided to:				
A fellow subsidiary		—	4,900	18,290
Associates of BUCG		—	32,980	—
		—	37,880	18,290
Borrowings provided by:				
BUCG		876,720	100,000	—
Project management services provided by:				
BUCG		15,061	16,261	5,158
Rental expenses and property management fees paid or payable to:				
BUCG		1,971	1,942	2,471
Fellow subsidiaries		1,600	11,479	11,402
		3,571	13,421	13,873

(i) Since the Beneficial Shareholders and their affiliates became the related parties of the Group from 24 May 2013, the transactions with the Beneficial Shareholders and their affiliates only covered the period from 24 May 2013 to 31 December 2013.

The above related party transactions were conducted in accordance with the terms mutually agreed between the parties.

BUCG guaranteed certain of the Group's letters of guarantee for bidding, performance and prepayment for projects undertaking and the outstanding balances of such guarantee letters as at 31 December 2011, 2012 and 2013 were RMB417 million, RMB424 million and RMB360 million, respectively.

In addition, BUCG issued certain letters of guarantee for bidding, performance and prepayment to customers in respect of its operation of urban rail transit construction contracting. As at 31 December 2011, 2012 and 2013, the balances of the relevant letters of guarantee were RMB903million, RMB743 million and RMB843 million, respectively. Due to the Reorganisation, BUCG transferred the operation related to urban rail transit construction contracting services to the Company. Such outstanding letters of guarantee are in the process of navigating the title from BUCG to the Company.

The Group is indirectly controlled by the PRC government and operates in an economic environment predominated by entities directly or indirectly owned or controlled by the government through its agencies, affiliates or other organisations (collectively "State-owned Enterprises" ("SOEs")). During the Relevant Periods, the Group entered into extensive transactions with other SOEs, such as bank deposits, rendering and receiving of design, survey and consultancy services and construction contracting services, and purchase of inventories and machineries. In the opinion of the Directors, the transactions with SOEs are activities conducted in the ordinary course of business, and the dealings of the Group have not been significantly or unduly affected by the fact that the Group and those SOEs are ultimately controlled or owned by the PRC government. The Group has also established pricing policies for rendered services and such pricing policies do not depend on whether or not the customers are SOEs.

In the opinion of the Directors, the below related party transactions shall also constitute continuing connected transactions under chapter 14A of the Listing Rules after the listing of the Company's shares on the Stock Exchange:

	Year ended 31 December		
	2011	**2012**	**2013**
	RMB'000	**RMB'000**	**RMB'000**
Design, survey and consultancy services provided to:			
BUCG	1,336	7,208	6,035
Fellow subsidiaries	3,373	17,355	8,536
	4,709	24,563	14,571
Construction contracting services provided by:			
Fellow subsidiaries	104,854	61,501	82,005
An associate of BUCG	14,318	3,313	19,521
	119,172	64,814	101,526
Design, survey and consultancy services provided by:			
A fellow subsidiary	—	11,000	15,864
Borrowings provided to:			
A fellow subsidiary	—	4,900	18,290
An associate of BUCG	—	12,800	—
	—	17,700	18,290
Borrowings provided by:			
BUCG	876,720	100,000	—
Project management services provided by:			
BUCG	15,061	16,261	5,158
Rental expenses and property management fees paid or payable to:			
BUCG	1,971	1,942	2,471
Fellow subsidiaries	1,600	11,479	11,402
	3,571	13,421	13,873

(b) Outstanding balances with related parties

Details of the outstanding balances with related parties are set out in notes 24, 25, 27 and 28 of this section.

(c) Compensation of key management personnel of the Group

Further details of Directors' and supervisors' emoluments are included in note 9 of this section.

	Year ended 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Short term employee benefits	2,425	3,284	4,187
Pension scheme	151	239	359
	2,576	3,523	4,546

(d) Commitments with related parties

As at 31 December 2013, the Group entered into several construction contracts and service contracts with related parties. The material commitments are as follows:

Pursuant to certain construction contracts signed by the Company and a Beneficial Shareholder, the Company is engaged to build certain subways and the backlog as at 31 December 2013 was RMB1,731 million.

Pursuant to certain design services contracts signed by the Company and certain Beneficial Shareholders and a Beneficial Shareholder's affiliates, the Company is engaged to design certain subways and the backlog as at 31 December 2013 was RMB337 million.

Since the Beneficial Shareholders and their affiliates became the related parties of the Group from 24 May 2013, the commitments with the Beneficial Shareholders and their affiliates as at 31 December 2013 were included in the commitments with related parties as at 31 December 2013.

As at 31 December 2011 and 2012, there was no significant commitment with related parties.

37. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

Group

	As at 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Financial assets			
Available-for-sale financial investments:			
Available-for-sale investments	3,650	3,650	3,650
Loans and receivables:			
Trade and bills receivables	1,172,693	1,059,867	1,407,332
Financial assets included in prepayments, deposits and other receivables	1,081,027	451,959	149,953
Pledged deposits	33,987	31,220	27,032
Cash and bank balances	336,880	448,808	1,790,728
	2,628,237	1,995,504	3,378,695
Financial liabilities			
Financial liabilities at amortised cost:			
Trade payables	1,902,276	1,613,393	1,381,210
Financial liabilities included in other payables, advances from customers and accruals	652,839	477,271	224,661
	2,555,115	2,090,664	1,605,871

Company

	As at 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Financial assets			
Available-for-sale financial investments:			
Available-for-sale investments	3,650	3,650	3,650
Loans and receivables:			
Trade and bills receivables	1,076,093	951,082	1,318,605
Financial assets included in prepayments, deposits and other receivables	1,077,886	435,558	153,482
Pledged deposits	18,471	16,044	11,922
Cash and bank balances	247,685	382,318	1,633,535
	2,423,785	1,788,652	3,121,194
Financial liabilities			
Financial liabilities at amortised cost:			
Trade payables	1,855,309	1,552,996	1,306,581
Financial liabilities included in other payables, advances from customers and accruals	643,391	468,744	214,116
	2,498,700	2,021,740	1,520,697

38. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's and the Company's financial instruments, other than those with carrying amounts that reasonably approximate to fair values as at the end of each of the Relevant Periods, are as follows:

Group

	Carrying amounts		
	As at 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Financial assets			
Available-for-sale financial investments:			
Available-for-sale investments	3,650	3,650	3,650
Loans and receivables:			
Trade and bills receivables, non-current portion	17,130	3,956	13,609
Financial assets included in prepayments, deposits and other receivables, non-current portion	13,438	18,104	18,598
	34,218	25,710	35,857
Financial liabilities			
Financial liabilities at amortised cost:			
Financial liabilities included in other payables, advances from customers and accruals, non-current portion	35,655	13,565	16,303

	Fair values		
	As at 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Financial assets			
Available-for-sale financial investments:			
Available-for-sale investments	3,650	3,650	3,650
Loans and receivables:			
Trade and bills receivables, non-current portion	16,589	3,843	12,638
Financial assets included in prepayments, deposits and other receivables, non-current portion	12,095	16,902	16,691
	32,334	24,395	32,979
Financial liabilities			
Financial liabilities at amortised cost:			
Financial liabilities included in other payables, advances from customers and accruals, non-current portion	34,400	13,118	15,614

Company

	Carrying amounts		
	As at 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Financial assets			
Available-for-sale financial investments:			
Available-for-sale investments	3,650	3,650	3,650
Loans and receivables:			
Trade and bills receivables, non-current portion	17,130	3,956	13,609
Financial assets included in prepayments, deposits and other receivables, non-current portion	14,150	16,960	18,353
	34,930	24,566	35,612
Financial liabilities			
Financial liabilities at amortised cost:			
Financial liabilities included in other payables, advances from customers and accruals, non-current portion	35,655	13,565	16,303

	Fair values		
	As at 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Financial assets			
Available-for-sale financial investments:			
Available-for-sale investments	3,650	3,650	3,650
Loans and receivables:			
Trade and bills receivables, non-current portion	16,589	3,843	12,638
Financial assets included in prepayments, deposits and other receivables, non-current portion	12,808	15,874	16,427
	33,047	23,367	32,715
Financial liabilities			
Financial liabilities at amortised cost:			
Financial liabilities included in other payables, advances from customers and accruals, non-current portion	34,400	13,118	15,614

Management has assessed that the fair values of cash and bank balances, pledged deposits, the current portion of trade and bills receivables, trade payables, the current portion of financial assets included in prepayments, deposits and other receivables and the current portion of financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's corporate finance team headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the chief accountant. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief accountant. The valuation process and results are discussed with the senior management twice a year for annual financial reporting.

The following methods and assumptions were used to estimate the fair values.

The fair values of the non-current portion of trade and bills receivables, financial assets included in prepayments, deposits and other receivables and the non-current portion of financial liabilities included in other payables and accruals have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

All financial assets and liabilities for which fair value was measured or disclosed in the Financial Information are categorised within the fair value hierarchy level 3 as at the end of each of the Relevant Periods.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and bank balances and pledged deposits. The main purpose of these financial instruments is to support the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables and trade payables which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. Generally, the senior management of the Company meets regularly to analyse and formulate measures to manage the Group's exposure to these risks. In addition, the board of director of the Company holds meetings regularly to analyse and approve the proposals made by the senior management of the Company. Generally, the Group introduces conservative strategies on its risk management. As the Group's exposure to these risks is kept to a minimum, the Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

(a) Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. With the majority of the Group's business transacted in RMB, the aforesaid currency is defined as the Group's functional currency. RMB is not freely convertible into foreign currencies and conversion of RMB into foreign currencies is subject to rules and regulations of foreign exchange control promulgated by the PRC government.

As a result of its significant business operations in Mainland China, the Group's revenue and expenses are mainly denominated in RMB and over 95% of the financial assets and liabilities are denominated in RMB. The effect of the fluctuations in the exchange rates of RMB against foreign currencies on the Group's results of operations is therefore minimal and the Group has not entered into any hedging transactions in order to reduce the Group's exposure to foreign currency risk in this regard.

Details of the Group's cash and bank balances and pledged deposits at the end of each of the Relevant Periods are disclosed in note 26 of this section.

The following tables indicate the appropriate change in the Group's profit before tax in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure during the Relevant Periods. The sensitivity analysis is on bank deposits in United States dollars.

Effects on profit before tax

	Increase/ (decrease) in foreign exchange rate	Increase/(decrease) in profit before tax		
		Year ended 31 December		
		2011	2012	2013
		RMB'000	RMB'000	RMB'000
If RMB weakens against the United States dollar	5%	1,282	3,382	7,641
If RMB strengthens against the United States dollar	(5%)	(1,282)	(3,382)	(7,641)

The sensitivity analysis above has been determined assuming that the change in foreign exchange rates had occurred at the end of each of the Relevant Periods and has applied the exposure to foreign currency risk to bank deposits denominated in United States dollars in existence at that dates.

(b) Credit risk

The carrying amounts of cash and bank balances, pledged deposits, trade and bills receivables, available-for-sale investments and financial assets included in prepayments, deposits and other receivables represent the Group's maximum exposure to credit risk in relation to financial assets. Substantially all of the Group's cash and bank balances and pledged deposits are held in major financial institutions located in the PRC, which management believes are of high credit quality. The Group has policies to control the size of the deposits to be placed with various reputable financial institutions according to their market reputation, operating scale and financial background with a view to limiting the amount of credit exposure to any single financial institution.

The Group trades only with recognised and creditworthy customers with no requirement for collateral. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

As the Group's major customers are either PRC government agencies at the national, provincial and local levels or other State-owned enterprises, the Group believes that they are reliable and of high credit quality and hence, there is no significant credit risk with these customers. The senior management of the Company keeps reviewing and assessing the creditworthiness of the Group's existing customers on an ongoing basis.

A significant portion of the revenue is derived from a wholly State-owned enterprise, which exposes the Group to concentration risks. The Group endeavours to diversify its customers base by (i) exploring new business opportunities and further diversifying its existing business, (ii) continually expanding its business network in other cities in China, with the PRC government granting approvals for more urban rail transit projects in various cities in recent years, and (iii) expanding its presence in overseas markets. It is expected that the level of reliance on certain customers would decrease in the future by broadening the customer base of the Group through the implementation of its business strategies.

(c) Liquidity risk

The liquidity of the Group is primarily dependent on its ability to maintain adequate cash inflows from operations to meet its debt obligations as they fall due, and its ability to obtain external financing to meet its committed future capital expenditure.

The maturity profile of the Group's financial liabilities as at the end of each the Relevant Periods, based on the contractual undiscounted payments, is as follows:

Group

	Within 1 year	1 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2011				
Trade payables	1,902,276	—	—	1,902,276
Financial liabilities included in other payables, advances from customers and accruals	617,184	35,655	—	652,839
Total	2,519,460	35,655	—	2,555,115
31 December 2012				
Trade payables	1,613,393	—	—	1,613,393
Financial liabilities included in other payables, advances from customers and accruals	463,706	13,565	—	477,271
Total	2,077,099	13,565	—	2,090,664
31 December 2013				
Trade payables	1,381,210	—	—	1,381,210
Financial liabilities included in other payables, advances from customers and accruals	208,358	16,303	—	224,661
Total	1,589,568	16,303	—	1,605,871

Company

	Within 1 year	1 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2011				
Trade payables	1,855,309	—	—	1,855,309
Financial liabilities included in other payables, advances from customers and accruals	607,736	35,655	—	643,391
Total	2,463,045	35,655	—	2,498,700
31 December 2012				
Trade payables	1,552,996	—	—	1,552,996
Financial liabilities included in other payables, advances from customers and accruals	455,179	13,565	—	468,744
Total	2,008,175	13,565	—	2,021,740
31 December 2013				
Trade payables	1,306,581	—	—	1,306,581
Financial liabilities included in other payables, advances from customers and accruals	197,813	16,303	—	214,116
Total	1,504,394	16,303	—	1,520,697

(d) Capital management

The Group's primary objective for managing capital is to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits to other stakeholders, by pricing services commensurately with the level of risk.

The Group sets the amount of capital in proportion to risk. The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or sell assets to reduce debts. No change was made in the objectives, policies or processes for managing capital during the Relevant Periods.

The Group monitors capital using a gearing ratio, which is net debt divided by the capital plus net debt. Net debt includes trade payables, other payables and accruals, less cash and bank balances and pledged deposits. Capital includes the equity attributable to owners of the parent and non-controlling interests stated in the consolidated statements of financial position.

The Group's strategy is to maintain the gearing ratio at a healthy capital level in order to support its businesses. The principal strategies adopted by the Group include, but are not limited to, reviewing future cash flow requirements and the ability to meet debt repayment schedules when they fall due, maintaining a reasonable level of available banking facilities and adjusting investment plans and financing plans, if necessary, to ensure that the Group has a reasonable level of capital to support its businesses. The gearing ratios as at the end of each the Relevant Periods are as follows:

	As at 31 December		
	2011	**2012**	**2013**
	RMB'000	**RMB'000**	**RMB'000**
Trade payables (note 27)	1,902,276	1,613,393	1,381,210
Financial liabilities included in other payables and accruals	652,839	477,271	224,661
Cash and bank balances (note 26)	(336,880)	(448,808)	(1,790,728)
Pledged deposits (note 26)	(33,987)	(31,220)	(27,032)
Net debt/(net cash)	2,184,248	1,610,636	(211,889)
Total equity	541,260	681,264	1,558,567
Capital and net debt/(net cash)	2,725,508	2,291,900	1,346,678
Gearing ratio	80%	70%	NA*

* The Group does not have gearing ratio as at 31 December 2013 since the Group is in net cash position as at 31 December 2013, which is mainly due to (1) a cash contribution from the Beneficial Shareholders and (2) an increase of cash and bank balances as a result of improved operation performance.

III. EVENTS AFTER THE YEAR ENDED 31 DECEMBER 2013

On 10 March 2014, the Company and BUCG entered into an agreement, pursuant to which, the Company will dispose of all its equity interests in Beijing "Urban Rapid Rail Transit" Journal Press Co., Ltd. ("北京《都市快軌交通》雜誌社有限公司") to BUCG for a cash consideration of approximately RMB450,000.

IV. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group or any of its subsidiaries in respect of any period subsequent to 31 December 2013.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong

This information set forth in this Appendix II does not form part of the accountants' report prepared by Ernst & Young, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set forth in Appendix I to this [**REDACTED**], and is included herein for information only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial information" in this [**REDACTED**] and the accountants' report set forth in Appendix I to the [**REDACTED**].

A. UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following is a statement of the unaudited pro forma adjusted consolidated net tangible assets of the Group, which has been prepared in accordance with paragraph 4.29 of the Hong Kong Listing Rules for the purpose of illustrating the effect of the [**REDACTED**] as if it had taken place on 31 December 2013, and based on our audited consolidated net tangible assets as at 31 December 2013, as set out in the "Appendix I — Accountants' Report" to this [**REDACTED**]

	Consolidated net tangible assets attributable to owners of our Company as at 31 December 2013(1)	Estimated net proceeds from the [REDACTED](2)	Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of our Company	Unaudited pro forma adjusted consolidated net tangible assets per share	
	(RMB million)	(RMB million)	(RMB million)	(RMB(3))	(HK$(3))
Based on an [**REDACTED**] of HK$[**REDACTED**] per Share	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Based on an [**REDACTED**] of HK$[**REDACTED**] per Share	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

(1) The consolidated net tangible assets attributable to owners of the Company as at 31 December 2013 was calculated based on the consolidated net assets attributable to owners of the Company as at 31 December 2013 of approximately [**REDACTED**] as extracted from the Accountants' Report set out in Appendix I to this [**REDACTED**], with adjustments for the intangible assets of approximately [**REDACTED**].

(2) The estimated net proceeds from the [**REDACTED**] are based on an indicative [**REDACTED**] of HK$[**REDACTED**] per Share and HK$[**REDACTED**] per Share, respectively, after deduction of the underwriting commissions, fees and other related expenses estimated by the Company in connection with the [**REDACTED**] and do not take into account of any Shares which may be issued upon the exercise of the Over-allotment Option. The estimated net proceeds from the [**REDACTED**] are translated at the exchange rate of RMB0.7938 to HK$1.

(3) The unaudited pro forma adjusted net tangible assets per Share is arrived at by dividing the unaudited pro forma adjusted net tangible assets by [**REDACTED**] Shares, being the number of shares in issue assuming the [**REDACTED**] has been completed on 31 December 2013 and do not take into account of any Shares which may be issued upon the exercise of the Over-allotment Option. The unaudited pro forma adjusted net tangible assets per Share is translated at the exchange rate of RMB0.7938 to HK$1.

(4) No adjustment has been made to the unaudited pro forma adjusted net tangible assets to reflect any trading result or other transaction of the Group entered into subsequent to 31 December 2013.

The unaudited pro forma adjusted consolidated net tangible assets of the Group has been prepared for illustrative purpose only and because of its pro forma nature, it may not give a true or fair picture of the financial position of the Group after the completion of the [**REDACTED**] or on any future dates.

B. REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

TAXATION OF SECURITY HOLDERS

The following is a summary of certain PRC and Hong Kong tax consequences of the ownership of H Shares by an investor that purchases such H Shares in connection with the [**REDACTED**] and holds the H Shares as capital assets. This summary does not purport to address all material tax consequences of the ownership of H Shares, and does not take into account the specific circumstances of any particular investors, some of which may be subject to special rules. This summary is based on the tax laws of the PRC and Hong Kong as in effect on the date hereof, as well as on the Agreement between the United States and the PRC for the Avoidance of Double Taxation (the "Treaty"), all of which are subject to change (or changes in interpretation), possibly with retroactive effect.

For purposes of this section of the [**REDACTED**], an "Eligible U.S. Holder" is any beneficial owner of H Shares that:

(i) is a resident of the United States for purposes of the Treaty, (ii) does not maintain a permanent establishment or fixed base in the PRC to which H Shares are attributable and through which the beneficial owner carries on or has carried on business (or, in the case of an individual, performs or has performed independent personal services) and (iii) who is eligible for benefits under the Treaty with respect to income and gain derived in connection with the H Shares.

This section of the [**REDACTED**] does not address any aspects of Hong Kong or PRC taxation other than income tax, capital gain tax, stamp duty and estate tax. Prospective investors are urged to consult their tax advisers regarding the PRC, Hong Kong and other tax consequences of owning and disposing of H Shares.

PRC

Taxation of Dividends

Individual Investors. According to the Individual Income Tax Law of the People's Republic of China (hereinafter "IIT Law") (《中華人民共和國個人所得稅法》) promulgated on 10 September 1980 by the Standing Committee of the National People's Congress, amended for the sixth time on 30 June 2011 and in effective on 1 September 2011, any individual who has lived within the PRC for one year, with or without any residence, shall be subject to individual income tax for any income obtained within or outside the PRC. Any individual, who does not have any residence or does not live in the PRC or has lived in the PRC for less than one year without any residence, shall be subject to individual income tax for any income obtained within the PRC. Unless the MOF under the State Council grants special permit or tax concession based on applicable taxation regulations, any individual investor shall subject to the individual income tax at a tax rate of 20% for any dividend obtained from any company in the PRC.

However, the SAT issued on 21 July 1993 Notice of the State Administration of Taxation Concerning the Taxation of Gains on Transfer and Dividends from Shares (Equities) Received by Foreign Investment Enterprises, Foreign Enterprises and Foreign Individuals (Guo Shui Fa [1993] No. 045) (hereinafter the "Guo Shui Fa[1993] No. 045 Document") (《國家稅務總局關於外商投資企業、外國企業和外藉個人取得股票(股權)轉讓收益和股息所得稅問題的通知》(國稅發[1993]045號)), under which, any foreign individual who obtains net gain from transfer of any B share or overseas share issued by any enterprise in the PRC are temporarily exempted from income tax. Nevertheless, the Guo Shui Fa[1993] No. 045

Document was repealed by the Announcement on the List of Fully and Partially Invalid and Repealed Tax Regulatory Documents (《關於公佈全文失效廢止、部份條款失效廢止的稅收規範性文件目錄的公告》) issued by the SAT on 4 January 2011.

Pursuant to the Notice on Issues Concerning Individual Income Tax Collection and Management after the Repeal of Guo Shui Fa [1993] No. 45 (Guo Shui Han [2011] No. 348) (《關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》(國稅函[2011]348號)), on 28 June 2011, the overseas individual shareholders of domestic non-foreign-invested enterprise which issued stocks in Hong Kong, shall enjoy the taxation preferences in accordance with the agreements between countries of their origins and the PRC as well as the taxation arrangement between the Mainland and Hong Kong (Macau). For the dividend distributed by the domestic non-foreign-invested enterprise which issued stocks in Hong Kong, the individual income tax shall generally be withheld at a rate of 10%, and no application procedures will be necessary. For Individual receiving dividends who are citizens from countries under agreements to be entitled to tax rates lower than 10%, the withholding agent can process applications on their behalf to seek entitlement of the relevant agreed preferential treatments pursuant to relevant regulations, and upon approval by the tax authorities, any amount exceeding the withheld tax amounts will be refunded. For Individual receiving dividends who are citizens from countries under agreements to be entitled to tax rates higher than 10% but lower than 20%, the withholding agent will withhold the individual income tax at the agreed-upon effective tax rate when distributing dividends, and no application procedures will be necessary. For Individual receiving dividends who are citizens from countries without taxation agreements with the PRC or are under other situations, the withholding agent will withhold the individual income tax at a tax rate of 20% when distributing dividends.

Enterprises. According to the Arrangement between the mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation on Income (hereinafter the "Arrangement") (《內地和香港特別行政區關於對所得稅避免雙重徵稅和防止偷漏稅的安排》) signed on 21 August 2006, resident living in either region who receives dividends distributed by an enterprise from the other region shall be subject to tax of the other region. However, if the enterprise distributing the dividends is located at the same region of the resident, the taxation law of that region shall apply. If the individual receiving the dividend is the resident of the other region, the taxation amount shall not exceed: (1) 5% of the total dividend in case the individual receiving the dividends directly owns at least 25% of the shares of the enterprise distributing the dividends; (2) 10% of the total dividend in other circumstances. Accordingly, for any dividends payable to any HK resident by any PRC enterprise, the PRC government can impose tax of not more than 10% of the total dividends. And, if the HK resident holds at least 25% of the shares of the PRC enterprise, the tax shall not exceed 5% of the total dividends payable by the PRC enterprise.

Pursuant to the Enterprise Income Tax Law of the People's Republic of China (hereafter the "EIT Law") (《中華人民共和國企業所得稅法》) issued at the National People's Congress on 16 March 2007 and in effective from 1 January 2008, and the Implementation Rules of the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法實施條例》) issued by the State Council on 6 December 2007 and in effective from 1 January 2008, non-residential enterprise, who does not have an establishment or premise, or who has an establishment or premise but the dividend or bonus received are not effectively related thereto, shall subject to 10% enterprise income tax for any income generated within the PRC. For any regulation provided under any agreement between the PRC government and any foreign country (region) different from those provided under the EIT Law, the regulations under the relevant agreement shall prevail.

Based on the "Notice of Withholding and Payment of Enterprise Income Tax Regarding China Resident Enterprise Paying Dividend to Non-Resident Enterprise Holders of Overseas H-Share" (No. 897 GSH[2008]) (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》(國稅函[2008]897號))issued by the SAT on 6 November 2008, any PRC resident who distributes dividends for the year of 2008 and onward to shareholders of foreign H Shares non-resident enterprise, shall withhold the enterprise income tax at a standardised rate of 10%. To apply for any preference under a taxation treaty (arrangement) to competent taxation authority, one should provide evidence that he/she/it is qualified as an effective beneficiary under the taxation treaty (arrangement). Upon review by the competent taxation authority, any difference between the tax paid and tax payable calculated under the taxation treaty (arrangement) shall be refunded.

Tax Treaties. Investors who do not reside in the PRC and reside in countries that have entered into treaty for the avoidance of double taxation with the PRC may be entitled to a reduction of the withholding tax imposed on the payment of dividends to investors of the Company who do not reside in the PRC. As at the end of June 2013, the PRC has signed 99 treaties for the avoidance of double taxation, 96 of them have been in effective, and has entered into taxation arrangements with both Hong Kong and Macau. Countries which have signed the treaties for the avoidance of double taxation include but not limited to:

- Australia;
- Canada;
- France;
- Germany;
- Japan;
- Malaysia;
- the Netherlands;
- Singapore;
- the United Kingdom;
- the United States;
- Ethiopia;
- South Korea;
- India;
- Belgium;
- Norway;

- Italy.

Value Added Tax

In accordance with the IIT Law and the Implementation Rules of the IIT Law of the People's Republic of China (《中華人民共和國個人所得稅法實施條例》) issued on 28 January 1994 by the State Council and amended on 19 July 2011 (the "Implementation Rules"), individuals are subject to individual income tax at the rate of 20% on gains realised on the sale of equity interests in PRC resident enterprises. The Implementation Rules require that the treatment of individual income tax for gain obtained from transfer of shares shall be separately determined by the MOF under the State Council and shall be approved and implemented by the State Council. Under the Circular Declaring that Individual Income Tax Continues to Be Exempted over Individual Income from Transfer of Shares (Cai Shui Zi [1998] No. 61) (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》(財稅字[1998]61號)) issued by the MOF and the SAT on 30 March 1998, from 1 January 1997, income of individuals from the transfer of shares of listed enterprises was exempted from individual income tax. Under the IIT Law and the Implementation Rules, the SAT has not explicitly stated whether it will continue to exempt individual income tax on income derived by individuals from the transfer of listed shares. However, on 31 December 2009, the MOF, the SAT and the CSRC jointly issued the "Circular on Relevant Issues Concerning the Collection of Individual Income Tax over the Income Received by Individuals from Transfer of Listed Shares Subject to Sales Limitation" (Cai Shui [2009] No. 167) (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知》(財稅[2009]167號)), and on 10 November 2010, the MOF, the SAT and the CSRC issued and implemented the "Supplemental Circular on Relevant Issues Concerning the Collection of Individual Income Tax over the Income Received by Individuals from Transfer of Listed Shares Subject to Sales Limitation" (Cai Shui [2010] No. 70) (《財政部、國家稅務總局、證監會關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的補充通知》(財稅[2010]70號)). Accordingly, from 1 January 2010, gain obtained from transfer of shares subject to sales limitation by individual shall be subject to individual income tax at a rate of 20% based on the principle of "gain from transfer of property". Individual, who obtains cash, benefit in kind, marketable securities and other form of economic benefit through transfer of shares subject to sales limitation or entering into other transaction involving transfer of shares subject to sales limitation, shall pay individual income tax. In case the shares subject to sales limitation have been transferred for several times before the limitation is released, the transferor shall pay individual income tax for the gain obtained from each transfer. Individual income tax shall be continued exempted for transfer of shares held from open offer by listed company on the Shanghai Stock Exchange and Shenzhen Stock Exchange or transfer of listed shares purchased from the market. As at the Latest Practicable Date, the aforesaid provision has not expressly provided that individual income tax shall be collected from non-PRC resident individuals on the sale of shares of PRC resident enterprises listed on overseas stock exchanges.

In accordance with the EIT Law and the Implementation Rules of the Enterprise Income Tax Law of the People's Republic of China, a non-PRC resident enterprise is generally subject to enterprise income tax at a rate of 10% with respect to the PRC-sourced income if it does not have an establishment or premises in the PRC or has an organisation or premises in the PRC but the PRC-sourced income is not connected with such organisation or premises in the PRC. For any regulation provided under any agreement between the PRC government and any foreign country (region) different from those provided under the EIT Law, the regulations under the relevant agreement shall prevail.

Other Tax Issues in the PRC

Stamp duty. Under the Provisional Regulations of the PRC Concerning Stamp Duty (《中華人民共和國印花稅暫行條例》) issued by the State Council on 6 August 1988, implemented from 1 October 1988 and amended on 8 January 2011, and the Rules for Implementation of Provisional Regulations of the PRC Concerning Stamp Duty (《中華人民共和國印花稅暫行條例施行細則》) issued by MOF on 29 September 1988 and came to effective on 1 October 1988, the stamp duty of the PRC applies only to the documents that are executed or accepted within the PRC, legally binding in the PRC and legally protected by the law of the PRC. As mentioned above, the stamp duty of the PRC for transfer of listed shares shall not apply to the acquisition or disposal of H Shares by non-PRC investors outside the PRC.

Estate duty. The law of the PRC does not explicitly require collection of estate duty from non-PRC residents holding H Shares.

TAXATION IN HONG KONG

Taxation on Dividends

Under the current practice of the Hong Kong Inland Revenue Department, no tax is payable in Hong Kong in respect of dividends paid by our Company.

Taxation on Capital Gains and Profits

No tax is imposed in Hong Kong in respect of capital gains from the sale of property such as the H Shares. However, trading gains from the sale of H Shares by persons carrying on a trade, profession or business in Hong Kong where such gains are derived from or arise in Hong Kong from such trade, profession or business will be chargeable to Hong Kong profits tax. Currently, a profits tax is imposed on corporations at the rate of 16.5% and on individuals at a maximum rate of 15.0%. Certain categories of taxpayers (for examples, financial institutions, insurance companies and securities dealers) are likely to be regarded as deriving trading gains rather than capital gains unless these taxpayers can prove that the investment securities are held for long-term investment. Trading gains from sales of the H Shares effected on the Hong Kong Stock Exchange will be considered to be derived from or arise in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of H Shares effected on the Hong Kong Stock Exchange realised by persons carrying on a business of trading or dealing in securities in Hong Kong.

Stamp Duty

Hong Kong stamp duty will be payable by the purchaser on every purchase, and by the seller on every sale, of H Shares. The duty is charged at the ad valorem rate of 0.1% of the consideration for, or (if greater) the market value of, the H Shares transferred on each of the seller and purchaser. In other words, a total of 0.2% is currently payable on a typical sale and purchase transaction of H Shares. In addition, a fixed duty of HK$5 is charged on each instrument of transfer (if required). Where a sale or purchase of H Shares is effected by a person who is not a resident of Hong Kong and any stamp duty payable on the instrument of transfer is not paid, the relevant instrument of transfer (if any) shall be chargeable with such duty, together with the duty otherwise chargeable thereon, and the transferee shall be liable to pay such duty.

Estate Duty

The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on 11 February 2006 in Hong Kong, pursuant to which no Hong Kong estate duty is payable and no estate duty clearance papers are needed for an application of a grant of representation in respect of holders of H Shares whose deaths occur on or after 11 February 2006.

THE TAXATION IMPOSED TO THE COMPANY BY THE PRC

Enterprise Income Tax

From 1 January 1994, income tax payable by PRC domestic enterprises, including State-owned enterprises and shareholding enterprises, is governed by the Enterprise Income Tax Provisional Regulations of the People's Republic of China ("EIT Provisional Regulations") (《中華人民共和國企業所得稅暫行條例》) which was issued by the State Council on 13 December 1993 and took effect from 1 January 1994 but superseded by the EIT Law issued on 1 January 2008, and which provide for an income tax rate of 33% unless a lower rate is provided by law, administrative regulations or State Council regulations.

Prior to the implementation of the EIT Law from 1 January 2008, enterprises were generally subject to a tax rate of 33% according to the EIT Provisional Regulations. Upon implementation of the EIT Law from 1 January 2008, the enterprise income tax rate of the PRC has been reduced from 33% to 25%, which is in line with the tax rate applicable to the foreign invested enterprises and foreign enterprises. The "Foreign Investment Enterprises and Foreign Enterprises Income Tax Law" issued at the Fourth National People's Congress issued on 9 April 1991, and the "Enterprise Income Tax Provisional Regulations of the People's Republic of China" promulgated by the State Council on 13 December 1993 were abolished at the same time. The EIT law stipulates certain circumstances that are subject to tax preference, including a tax concession of enterprise income tax at 15% tax rate for new high-tech enterprises.

Pursuant to the "Administrative Measures for Determination of New and High Technology Enterprise (Guokefahuo [2008] No. 172) (《高新技術企業認定管理辦法》(國科發火[2008]172號)) issued by the Science and Technology Department, the MOF, the SAT on 14 April 2008 and came to effective on 1 January 2008, those new and high technology enterprises certified accordingly are eligible to apply for tax preferences in accordance with the EIT Law, the Implementation Rules of the Enterprise Income Tax Law of the People's Republic of China, the State Administration of Taxation of the PRC (《中華人民共和國稅收徵收管理法》) and the Implementation Rules of the State Administration of Taxation (《中華人民共和國稅收徵收管理法實施細則》), if they have meet the following conditions: (1) enterprise, which is incorporated in the PRC (excluding HK, Macau and Taiwan), possess self-owned intelligent property in respect of the core technology of its key product (service) through self-research and development, acceptance of transfer and grant or merger or acquisition within three years, or by exclusive proprietary for more than 5 years; (2) its product (service) is within the scope of the "High and New Tech Fields under the Key Support of the State"; (3) the number of technical experts possessing the academic qualification of university degree or above represents more than 30% of the total number of staff for any particular year, and the number of R&D staff represents more than 10% of the total number of staff for any particular year; (4) the enterprise carries out ongoing research and development activities for the purpose of gaining new scientific technique and knowledge (excluding humanities, social science), innovatively using new scientific technique and knowledge or substantially improving technologies, product (service), and the proportion of the total research and development expenses for the last three accounting years to the total sales revenue shall be: (a) not less than 6% for enterprises having sales revenue of less than 50 million for the past year; (b) not less than 4% for enterprises having sales revenue ranging from 50 million to 200 million for the past year; (c) not less than 3% for enterprises having sales revenue of more than 200 million for the past year. Among which, for enterprises which have the proportion of the total research and development expenses to the total sales revenue of not less than 60% and do not incorporated for three years, the percentage shall be calculated based on the effective years of operation; (5) the revenue from new and high technology product (service) accounts for more than 60% of the total revenue; (6) all criterion such as the management level of the research and development team, the ability to realize technological results, number of self-owned intelligent property, growth rate of sales and total assets meet the requirements under the separately formulated Guidance for Determination of New and High Technology Enterprise (《高新技術企業認定管理工作指引》).

According to the Notice of the State Administration of Taxation on Several Issues Relating to the Implementation of the Income Tax Preferential Policies on New and High Technology Enterprise (Guo Shui Han[2009] No. 203) (《國家稅務總局關於實施高新技術企業所得稅優惠有關問題的通知》(國稅函[2009]203號)),which was issued on 22 April 2009 and took effect from 1 January 2008, the new and high technology enterprise being certified (passing the review) are eligible to apply enterprise income tax preferences commencing from the year of certification or passing of the review. Enterprises being granted the certificate of new and high technology enterprise by the competent authority in the relevant province, autonomous region, municipals or planned units can apply for tax concession to the competent tax authority by providing the copy of the certificate and the relevant information. Upon completion of the application procedures, the new and high technology enterprises shall be subject to income tax at a rate of 15% or enjoy transitional tax preferences.

Value added tax

Pursuant to the Provisional Regulations of the PRC Concerning Value Added Tax (《中華人民共和國增值稅暫行條例》), issued by the State Council on 12 December 1993 and amended on 1 January 2009, the Implementation Rules of the Provisional Regulations of the PRC Concerning Value Added Tax (《中華人民共和國增值稅暫行條例實施細則》), issued by the MOF and the State Council on 18 December 2008 and amended on 28 October 2011, and the Notice of the Ministry of Finance and the State Administration of Taxation on the Tax Policies for Implementing across the Country the Pilot Programme of Levying Value Added Tax in Lieu of Business Tax on the Transportation Industry and Some Modern Service Industries (Cai Shui [2013] No. 37) (《財政部、國家稅務總局關於在全國開展交通運輸業和部分現代服務業營業稅改徵增值稅試點稅收政策的通知》(財稅[2013]37號)) issued on 24 May 2013 and in effective from 1 August 2013, provision of model services such as the research and development technologies and services, and authentication consultancy services by the Company is subject to 6% value added tax. The Company does not need to pay any business tax. The amount of value added tax payable represents by output value added tax less input value added tax.

Business Tax

Pursuant to the Provisional Regulations of the PRC Concerning Business Tax (《中華人民共和國營業稅暫行條例》), issued on 13 December 1993 by the State Council, came to effective from 1 January 1994 and amended on 1 January 2009, and its relevant implementing rules, a business tax is imposed on enterprises which provide taxable services, transfer intangible property or sell real estate in the PRC. The business tax is levied at a rate from 3% to 20% on the provision of taxable services, transfer of intangible property or sale of real estate in the PRC.

FOREIGN EXCHANGE CONTROLS

Renminbi is the lawful currency of the PRC, which is subject to foreign exchange controls. The SAFE, under the authorisation of the PBOC, is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

On 29 January 1996, the State Council promulgated the Regulations of Foreign Exchange of the People's Republic of China (《中華人民共和國外匯管理條例》), which was effective from 5 August 2008. Pursuant to which, and other regulations issued by the SAFE and other relevant government authorities of the PRC, if PRC enterprises need to carry out current account related transactions through foreign exchange, they can settle the transaction through foreign exchange account or translate or settle any payment at the designated foreign exchange bank once providing effective receipts and evidence even without approval from SAFE. Approval from SAFE or competent regional foreign exchange authorities must be obtained for payment under capital account (in case of direct investment and capital contribution) for remittance of any foreign currency translated from Renminbi out of the PRC.

On 20 June 1996, the PBOC promulgated the Regulations for Administration of Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》) which became effective on 1 July 1996. The Settlement Regulations abolish all other restrictions on convertibility of foreign exchange in respect of current account items while retaining the existing restrictions on foreign exchange transactions in respect of capital account items.

On 25 October 1998, the PBOC and the SAFE promulgated the Notice Concerning Closure of the Foreign Exchange Swap Business Activities (Yin Fa[1998] No. 57) (《關於停辦外匯調劑業務的通知》(銀發[1998]507號)), pursuant to which and with effect from 1 December 1998, all foreign exchange swapping business in the PRC for foreign-invested enterprises shall be discontinued, while the trading of foreign exchange by foreign-invested enterprise shall come under the banking system for the settlement and sale of foreign exchange.

On 21 July 2005, the PBOC announced that, effective on the same date, the PRC would implement a regulated and managed floating exchange rate system in which the exchange rate would be determined based on market supply and demand and with reference to a basket of currencies. The Renminbi exchange rate is no longer pegged to the US dollar. The PBOC will publish the closing price of a foreign currency such as the US dollar traded against the Renminbi in the inter-bank foreign exchange market after the closing of the market on each trading day, and will fix the central parity for Renminbi transaction on the following trading day.

Since 4 January 2006, the PBOC authorised the China Foreign Exchange Trading System to determine and announce the middle price for quoting the Renminbi against the U.S. dollar, Euro, Japanese Yen and HK Dollar at 9:15 am on each business day. It will be an inter-bank medium price between the exchange rate of spot foreign exchange market (including OTC and matching) and over the counter transaction.

The foreign exchange income under the current items may be reserved or sold to financial institutions operating foreign exchange sale of settlement business. PRC enterprises (including foreign-invested enterprises) which require foreign exchange for transactions relating to current account items, may, without the approval of SAFE, effect payment from their foreign exchange account or convert and pay at the designated foreign exchange banks, with provision of valid receipts and proof of transactions. Foreign-invested enterprises, which need foreign exchange for the distribution of profits to their shareholders and PRC enterprises, which in accordance with regulations are required to pay dividends to shareholders in foreign currency, may, based on the general meeting resolutions of such PRC enterprises or board resolutions on the distribution of profits, effect payment from their foreign exchange account or convert and pay at the designated foreign exchange banks.

In respect of direct investment, in accordance with the Notice of the State Administration of Foreign Exchange on Further Improving and Adjusting Foreign Exchange Administration Policies for Direct Investment (《國家外匯管理局關於進一步改進和調整直接投資外匯管理政策的通知》) issued on 19 November 2012 and implemented from 17 December 2012, and the Notice of the State Administration of Foreign Exchange on Issuing the Provisions on the Foreign Exchange Administration of Domestic Direct Investment of Foreign Investors and the Supporting Documents (Hui Fa[2013] No. 21) (《國家外匯管理局關於印發《外國投資者境內直接投資外匯管理規定》及配套文件的通知》(匯發[2013]21號)) issued on 11 May 2013 and its annexes, domestic direct investment shall be registered and administrated. Enterprises and individuals involving domestic direct investment shall register at the SAFE and its sub branch. Banks shall carry out affairs in relation to domestic direct investment based on the information registered at the SAFE.

On 7 February 2013, the SAFE issued the Notice of State Administration of Foreign Exchange on Issues Concerning the Foreign Exchange Administration of Overseas Listing (《關於境外上市外匯管理有關問題的通知》). Pursuant to which, the public listing of shares on the Hong Kong Stock Exchange in Hong Kong by domestic enterprise shall fall within the scope of administration. According to the said Notice, a domestic issuer shall, within 15 working days after the completion of the initial offering of shares for its overseas listing, register overseas listing with the foreign exchange bureau at the place of its incorporation. A domestic issuer shall present his certificate of overseas listing to open a special account with a local bank for its IPO (or refinancing) and repurchase respectively so as to deal with capital exchange and transfer relating to the listing. The domestic issuer shall transfer the proceeds from overseas listing to the domestic special account or retain in the overseas special account. The use of proceeds shall be consistent with those described in the listing prospectus or other public documents such as explanation documents of bond offering, circulars to the shareholders, general meeting resolutions, etc. ("Public Documents"). A domestic issuer that applies for foreign exchange settlement of the funds in its special domestic account for overseas listing shall get an approval document on foreign exchange settlement issued by the local Foreign Exchange Bureau, which shall be used by the domestic issuer for foreign exchange settlement with the relevant bank. If there is any change in capital such as addition issue of shares or any change of use of proceeds that originally been filed, the domestic issuer shall submit written application, original overseas listing certificate, "Registration Form For Overseas Listing" duly filled and relevant true evidences to the local foreign exchange bureau for registration within 15 business days. The domestic issue shall inform and file the relevant changes to the SAFE within 10 business days from the open, change or close of the relevant overseas special account.

Dividends payable to H Shares holders will be denominated in Renminbi and shall be paid in HK dollar.

We prepare our consolidated financial statements in Renminbi.

The PBOC sets and publishes daily a base exchange rate with reference primarily to the supply and demand of Renminbi against the U.S. dollar in the market during the prior day. The PBOC also takes into account other factors such as the general conditions existing in the international foreign exchange markets.

This appendix summarizes the certain aspects of PRC laws and regulations which are relevant to the Group's operations and business. Laws and regulations relating to taxation and foreign exchanges in the PRC are described separately in Appendix III — Taxation and Foreign Exchanges to this [**REDACTED**]. *This appendix also contains a summary of certain Hong Kong legal and regulatory provisions, including the summaries of certain material differences between PRC and Hong Kong company law, certain requirements of the Hong Kong Listing Rules and additional provisions required by the Hong Kong Stock Exchange for inclusion in the articles of association of the PRC issuers.*

PRC JUDICIAL SYSTEM

Under the PRC Constitutional Law (《中華人民共和國憲法》) and the Law of the PRC of Organisation of the People's Courts (《中華人民共和國人民法院組織法》), the judicial system in PRC is made up of the Supreme People's Court, the local people's courts, military courts and other special people's courts. The local people's courts are comprised of the basic people's courts, the intermediate people's courts and the higher people's courts. The basic people's courts are organised into civil, criminal, and administrative divisions. The intermediate people's courts are organised into divisions similar to those of the basic people's courts, and are further organised into other special divisions to hear cases such as cases on intellectual property. The local people's courts and the intermediate people's courts are subject to supervision of the Supreme People's Court. The people's procuratorate also has the right to exercise legal supervision over the civil proceedings of people's courts. The Supreme People's Court is the highest judicial organ of the PRC, and it is responsible for the judicial work across all people's courts.

The people's courts employ a "second instance as final" system. A party may appeal against a judgment or order of the local people's court of first instance to the people's court at the next higher level. The people's procuratorate may appeal to the people's court at the next higher level according to the procedures specified by the law. If a party does not appeal to the judgment or order of the local people's court of first instance within the appeal period and the people's procuratorate has no objection, such judgment and order will bear legal effect. The judgment and order of the second instance to the intermediate people's courts, higher people's courts and the Supreme People's Courts, as well as the judgment and order of the first instance from the Supreme People's Courts are final, which are also the judgment and order bearing legal effects. If, however, the Supreme People's Court or a people's court at a higher level finds an error in a judgment or order in force which has been given in any people's court at a lower level, or the president of the people's court finds an error in a judgment or order in force, the case may then be retried according to the judicial supervision procedures.

The Civil Procedure Law of the PRC (hereinafter referred to as the "PRC Civil Procedure Law"), which was adopted on 9 April 1991 and amended on 28 October 2007 and 31 August 2012, sets forth the criteria for instituting a civil action, the jurisdiction of the people's courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgment or order. All parties to a civil action conducted within the PRC must comply with the PRC Civil Procedure Law. Generally, a civil case is initially heard by a local court of the municipality or province in which the defendant resides. The parties to a contract may, by an express agreement, select a jurisdiction where civil actions may be brought, provided that the jurisdiction is either the plaintiff's or the defendant's place of residence, the place of execution or implementation of the contract or the object of the action or other jurisdictions which have substantial connections with the dispute. However, such selection cannot violate the stipulations of grade jurisdiction and exclusive jurisdiction from the Civil Procedure Law of the PRC.

A foreign individual or enterprise generally has the same litigation rights and obligations as a citizen or legal person of the PRC. If a foreign country's judicial system limits the litigation rights of PRC citizens and enterprises, the PRC courts may impose the same limitations to the citizens and enterprises of that foreign country within the PRC. If any party to a civil action refuses to comply with a judgment or order made by a people's court or an award granted by an arbitration panel in the PRC, the other party may apply to the people's court to request for enforcement of the judgment, order or award. There are time limits imposed on the right to apply for such enforcement and the time limit is two year. If a person fails to satisfy a judgment made by the court within the stipulated time, the court will, upon application by either party, mandatorily enforce the judgment.

A party seeking to enforce a judgment or order of a people's court against a party who is not located within the PRC and does not own any property in the PRC, may apply to a foreign court with proper jurisdiction for recognition and enforcement of the judgment or order. In the case of an application or request for recognition and enforcement of a legally effective judgment or order of a foreign court, the people's court shall, after having examined it in accordance with the international treaties entered into or acceded to by the PRC or with the principle of reciprocity and having arrived at the conclusion that it does not contravene the primary principles of the laws of the PRC nor violates its sovereignty, security or social and public interests, recognise the validity of the judgment or order, and, if required, issue a writ of enforcement and enforce it in accordance with the relevant regulations. If the application or request contravenes the primary principles of the laws of the PRC or violates its sovereignty, security or social and public interests, the people's court shall not recognise and enforce it.

THE COMPANY LAW, THE SPECIAL REGULATIONS AND THE MANDATORY PROVISIONS

On 29 December 1993, the Standing Committee of the Eighth National People of Congress adopted the Company Law which came into effect on 1 July 1994 and was amended for the first time on 25 December 1999, the second time on 28 August 2004 and the third time on 27 October 2005. The newly amended Company Law has been promulgated and became effective from 1 March 2014.

On 4 July 1994, the Special Regulations were passed at the Twenty-Second Standing Committee Meeting of the State Council, and they were promulgated and implemented on 4 August 1994. The Special Regulations are formulated according to the provisions of Sections 85 and 155 of the Company Law (1993) in respect of the overseas share subscription and listing of joint stock limited companies.

The Mandatory Provisions were issued jointly by the former Securities Commission of the State Council and the former State Economic Restructuring Commission on 27 August 1994, prescribing provisions which must be incorporated into the articles of association of joint stock limited companies to be listed overseas. Accordingly, the Mandatory Provisions have been incorporated in the Articles of Association (which are summarised in the "Appendix V — Summary of the Articles of Association" to this [**REDACTED**]. The term "company" means the joint stock company with limited liability established with its foreign shares listed overseas in pursuant to the Company Law.

Copies of the Chinese text of the Company Law, the Special Regulations and the Mandatory Provisions and their unofficial English translations are available for inspection, as mentioned in the appendix headed "Appendix VII — Documents Delivered to the Registrar of Companies and Available for Inspection" to this [**REDACTED**].

General

A "joint stock company with limited liability" is a corporate legal person incorporated under the Company Law, whose registered capital is divided into shares of equal nominal value. The liability of its shareholders is limited to the extent of the shares held by them, and the liability of the company is limited to the full amount of all the assets owned by it. A State-owned enterprise that is converted into a company must comply with the conditions and requirements specified by law and administrative regulation, for the modification of its operation mechanisms, the systematic handling and evaluation of the company's assets and liabilities and the establishment of internal management organs.

A company may invest in other companies. Unless otherwise provided by laws, a company cannot be the capital contributor who has the joint and several liabilities associated with the debts of the invested enterprises.

Incorporation

A joint stock company with limited liability may be incorporated by promotion or offering. A joint stock company with limited liability may be established by promotion or offering. Incorporation by promotion refers to the establishment of a company by means of subscription of its entire shares in issue by the promoters. Incorporation by subscription refers to the establishment of a company by means of subscription of part of its shares by the promoters and the remaining part is offered to the public openly or specific targets.

A joint stock company with limited liability shall be incorporated by two to 200 promoters, but at least half of the promoters must reside in the PRC who are responsible for organizing corporate affairs. Promoters shall sign an agreement of promotion which clearly states respective rights and obligations during the course of incorporation.

The minimum registered capital of a joint stock company with limited liability is RMB5 million. Law and administrative regulation provide higher minimum registered capital on a joint stock company with limited liability. For companies incorporated by promotion, the registered capital has to be the total capital subscribed for by all promoters as registered with the relevant authorities. Before capital is paid-up, no share subscription shall be sought from other parties. For companies established by public subscription, the registered capital is the amount of total paid-up capital as registered with the relevant authorities.

When a limited liability company converts to a joint stock company with limited liability, the aggregated paid-up capital shall not higher than the net assets value of the company. When a joint stock company with limited liability converts to a limited liability company to increase the capital for public offer of shares, it shall comply with law.

According to the Securities Law of The People's Republic of China passed by the Standing Committee of the National People's Congress on 29 December 1998 with the first amendment made on 28 August 2004, the second on 27 October 2005, and the third and the implementation of which on 29 June 2013, application on share listing for a limited liability company shall satisfy the following conditions: (i) The approval of by the securities regulatory body under the state council has been obtained for the shares in issue; (ii) The capital of the company in aggregate is not less than RMB30 million; (iii) The shares in issue represents 25% or above of the total number of shares of the company; and 10% or above of the total number of shares of the company if the share capital exceeds RMB400 million; (iv) Neither substantial violation of law for the recent three years nor fraudulent financial or accounting records are proven for the company.

Promoters shall convene and preside over the establishment meeting within 30 days since the capital is paid up. Establishment meeting shall comprise promoters and subscribers. Promoters shall give notice to each subscriber or publicly announce for the date of meeting 15 days prior to the establishment meeting. The establishment meeting shall be conducted conditional upon the attendance by the promoters and subscribers who represent over half of the total number of shares of the company.

The authority of the following items will be exercised at the establishment meeting and such items shall be passed by more than half of the voting rights held by the attending subscribers (i) Reviewing the report on organisation of the company by the promoters; (ii) approving memorandum of association; (iii) electing members of Board of Directors; (iv) electing members of Board of supervisors; (v) audit on establishment expenses for the company; (vi) audit on the amount of assets credited as share capital; (vii) The resolution to reject the establishment of company is made on the occurrence of force majeure or substantial change in the conditions of operation which directly affect the establishment of the company.

The board of directors shall file relevant documents with the company registration authorities for its registration within 30 days since the close of the meeting. For limited liability companies offering share openly by public subscription, it shall also file the approving documents of the securities regulatory body under the state council with the company registration authorities.

The establishment of a company is formally completed upon approval of registration and the issue of business license by the relevant administration for industry and commerce, and it shall has status of legal person thereafter. Upon the establishment of the company, if the capital is not paid up pursuant to the memorandum of association, the shortfall of the capital shall be made in full; and other promoters shall be collectively liable to this. Upon the establishment of a company, if non-monetary assets as capital for the establishment of a company are found significantly lower than the amount set out in the memorandum of association, the shortfall shall be made by promoters in full; and other promoters shall be collectively liable to this. Save for the above, the promoters of the company shall be liable to the followings: (i) if the establishment of the Company fails, promoters shall collectively bear the liability and expenses incurred during the course of establishment; (ii) if the establishment of the Company fails, promoters shall collectively pay the payment made by the subscribers plus interests according to rate of deposit of the time to the subscribers; (iii) during the course of establishment, the compensation of any detriment on the interest of the company shall be bore by the promoters.

Share Capital

The promoters of a company can make capital contributions in cash or in kind, that can be valued in currency and transferable according to law such as intellectual property rights or land use rights based on their appraised value.

A company may issue registered or bearer share. However, shares issued to promoter(s) or legal person(s) shall be in the form of registered share and shall be registered under the name(s) of such promoter(s) or legal person(s) and shall not be registered under a different name or the name of a representative. The Special Regulations and the Mandatory Provisions provide that shares issued to foreign investors and listed overseas shall be issued in registered form and shall be denominated in Renminbi and subscribed for in foreign currency.

According to the Special Regulations and the Mandatory Provisions, shares issued to foreign investors and investors from the territories of Hong Kong, Macau and Taiwan, and listed overseas are known as overseas listed foreign invested shares, and those shares issued to investors within the PRC other than the territories specified above are known as Domestic Shares. With the approval of the securities regulatory body under the state council, companies may issue shares publicly outside the territories of the PRC, the specific means of which is specially regulated by the State Council. According to the Special Regulations, a company may offer its shares to the public overseas with approval by the securities administration department of the State Council. Specific provisions shall be specifically formulated by the State Council. Under the Special Regulations, upon approval of CSRC, a company may agree, in the underwriting agreement in respect of an issue of overseas listed foreign invested shares, to retain not more than 15% of the aggregate number of overseas listed foreign invested shares proposed to be issued after accounting for the number of underwritten shares.

The share offering price may be equal to or greater than nominal value, but shall not be less than nominal value.

The transfer of shares by shareholders should be conducted via the legally established stock exchange or in accordance with other methods as stipulated by the State Council. Transfer of registered shares by a shareholder must be made by means of an endorsement or by other means stipulated by law or administrative regulation. Bearer shares are transferred by delivery of the share certificates to the transferee.

Shares held by a promoter of a company shall not be transferred within one year after the date of the company's incorporation. Shares issued by a company prior to the public offer of its shares shall not be transferred within one year from the date of listing of the shares of the company on a stock exchange. Directors, supervisors and senior management of a company shall not transfer over 25% of the shares held by each of them in the company each year during their term of office and shall not transfer any share of the company held by each of them within one year after the listing date. Directors, supervisors and senior management shall not transfer any share of the company they hold within six months after their resignation. There is no restriction under the Company Law as to the percentage of shareholding a single shareholder may hold in a company. Transfers of shares may not be entered in the register of shareholders within 30 days before the date of a shareholders' meeting or within five days before the record date set for the purpose of distribution of dividends.

Increase in Registered Capital

Under the Company Law, an increase in the capital of a company by means of an issue of new shares must be approved by shareholders in a general meeting.

Save for the above-mentioned shareholder approval requirement, for a public offering of new shares, the PRC Securities Law provides that the company shall: (i) have a sound organisational structure with satisfactory operating record; (ii) have the capability of continuing profitability and a healthy financial position; (iii) have no false statements and other material breaches in the financial and accounting documents of the last three years; (iv) fulfill other conditions required by the securities administration department of the State Council as approved by the State Council. For the listed companies issuing shares privately, it shall comply with other conditions stipulated by the securities administration department of the State Council and obtain approval from it.

After receiving the funding from issuing new shares, a company must complete a registration for the change with a company registration authority and issue a public notice.

Reduction of Registered Capital

Subject to the minimum registered capital requirements, a company may reduce its registered capital in accordance with the following procedures prescribed by the Company Law:

(i) the company shall prepare a balance sheet and an inventory of the assets;

(ii) the reduction of registered capital shall be approved in a general meeting and must be approved by two-thirds of voting rights of the attending shareholders;

(iii) the company shall inform its creditors of the reduction in capital within ten days and publish an announcement of the reduction in the newspaper within 30 days after the resolution approving the reduction has been passed;

(iv) the creditors of the company may within the statutory prescribed time limit require the company to pay its debts or provide guarantees covering the debts; and

(v) the company must apply to the relevant administration bureau for industry and commerce for registration of the reduction in registered capital.

Repurchase of Shares

A company may not purchase its own shares other than for the purpose of:

(i) reducing its registered capital of a company;

(ii) merging with another company holding its shares;

(iii) granting shares as a reward to the staff of the company; or

(iv) purchasing the company's own shares upon request of its shareholders who vote against the resolution regarding the merger or division of the company in a general meeting.

The shares of the Company that are purchased by companies by reason of (i) to (iii) above shall be proposed to resolution at a general meeting. After the shares of the Company are purchased in compliance with the above stipulations, for which lying within (i), shall be cancelled within 10 days since the date of purchase; for which lying within (ii) and (iv), shall be transferred or cancelled within 6 months. The shares of the Company purchased by a company in accordance with (iii) above shall not exceed 5% the total amount of the shares of the Company in issue; the funds for such purpose shall be paid out of after-tax profits of the company, and the shares so purchased shall be transferred to the company's staff within a year.

Mandatory Provisions provides that upon obtaining an approval in accordance with the articles of association of the company and from a relevant competent authority, a company may repurchase its issued shares for the foregoing purposes by way of a general offer to its shareholders or purchase on a stock exchange or an off-market contract.

Transfer of Shares

Shares may be transferred in accordance with the relevant laws and regulations.

Shareholders

Shareholders have such rights and obligations as set forth in the articles of association of the company. The articles of association of a company are binding on each shareholder.

Under the Company Law and the Mandatory Provisions, the rights of a shareholder include:

(i) to attend in person or appoint a proxy to attend a general meeting, and to vote in respect of the number of shares held;

(ii) to transfer his shares in accordance with applicable laws and regulations and the articles of association of the company;

(iii) to inspect the company's articles of association, shareholders' registers, records of debentures, minutes of general meetings, board resolutions, supervisors resolutions, financial and accounting reports and put forward proposals or raise questions about the business operations of the company;

(iv) if any director or senior management damages the shareholder's interests by violating law or administrative regulations or article of association, the shareholders may lodge an action in the People's Court;

(v) to receive dividends and other distributions in respect of the number of shares held;

(vi) to obtain surplus assets of the company upon its termination in proportion to his or her shareholding; to claim against other shareholders who abuse their shareholders' rights for the damages; and

(vii) any other shareholders' rights specified in the company's articles of association.

The obligations of a shareholder include the obligation to comply with the company's articles of association, to pay the subscription monies in respect of the shares subscribed for, to be liable for the company's debts and liabilities to the extent of the amount of subscription monies agreed to be paid in respect of the shares taken up by him/her, not to abuse shareholders' right to damage the interests of the company or other shareholders of the company; not to abuse the independent status of the company as a legal person and the limited liability to damage the interests of the creditors of the company and any other shareholders' obligation specified in the company's articles of association.

General Meetings

A general meeting is the governing body of the company, which exercises its powers in accordance with the Company Law. A general meeting exercises the following principal powers:

(i) to decide on the company's operational policies and investment plans;

(ii) to elect or remove the directors and supervisors who are not representatives of the employees and decide on matters relating to the remuneration of directors and supervisors;

(iii) to consider and approve reports of the board of directors;

(iv) to consider and approve reports of the supervisory committee or the supervisors;

(v) to consider and approve the company's proposed annual financial budget and financial accounts;

(vi) to consider and approve the company's proposals for profit distribution and for recovery of losses;

(vii) to decide on any increase or reduction in the company's registered capital;

(viii) to decide on the issue of bonds by the company;

(ix) to decide on issues such as merger, division, dissolution or liquidation of the company or the conversion of the company and other matters;

(x) to amend the articles of association of the company; and

(xi) other powers specified in the articles of association of the company.

A general meeting is required to be held once every year. An extraordinary general meeting is required to be held within two months after the occurrence of any of the following circumstances:

(i) the number of directors is less than the number provided for in the Company Law or less than two-thirds of the number specified in the company's articles of association;

(ii) the losses of the company which are unrecoverable reach one-third of the company's total paid up share capital;

(iii) a request by a shareholder that holds, or by shareholders that hold in aggregate, 10% or more of the company's shares;

(iv) when deemed necessary by the board of directors;

(v) when the supervisory committee proposes convening it; or

(vi) other matters required by the company's articles of association.

A notice of general meeting shall be given to all shareholders 20 days before the meeting under the Company Law and 45 days under the Special Regulations and the Mandatory Provisions, stating the matters to be considered at the meeting. Under the Special Regulations and the Mandatory Provisions, shareholders wishing to attend are required to give to the company written confirmation of their attendance 20 days prior to the meeting.

Shareholders who present at a general meeting shall have one vote for each share they hold, but the company shall have no vote for any of its own shares the company holds.

Resolutions proposed at a general meeting shall be adopted by more than half of the voting rights cast by shareholders present (including those represented by proxies) at the meeting, with the exception of matters relating to merger, division, dissolution, increase or reduction in registered capital, change in the form of the company or amendments to the articles of association which shall be adopted by shareholders with two-thirds or more of the voting rights cast by shareholders present (including those represented by proxies) at the meeting.

There is no specific provision in the Company Law regarding the number of shareholders constituting a quorum in a shareholders' meeting. However, the Special Regulations and the Mandatory Provisions provide that a company's annual general meeting may be convened when replies to the notice of that meeting from shareholders holding shares representing 50% or more of the voting rights in the company have been received 20 days before the proposed date, or if that 50% level is not achieved, the company shall within five days of the last day for receipt of the replies notify shareholders by public announcement of the matters to be considered at the meeting and the date and place of the meeting and the annual general meeting may be held thereafter. The Mandatory Provisions requires a class meeting to be held in the event of a variation or derogation of the class rights of a class. Holders of domestic invested shares and holders of overseas listed foreign invested shares are deemed to be different classes of shareholders for this purpose.

Directors

A company shall have a board of directors, which shall consist of 5 to 19 members and there can be staff representatives of our Company. Under the Company Law, each term of office of a director shall not exceed three years. A director may serve consecutive terms if re-elected.

Meetings of the board of directors shall be convened at least twice a year. Notice of meeting shall be given to all directors and supervisors at least ten days before the meeting. The board of directors may provide for a different method of giving notice and notice period for convening an extraordinary meeting of the board of directors.

Under the Company Law, the board of directors exercises the following powers:

(i) to convene the general meeting and report on its work to the shareholders;

(ii) to implement the resolution of the general meeting;

(iii) to decide on the company's business plans and investment plans;

(iv) to formulate the company's proposed annual financial budget and final accounts;

(v) to formulate the company's proposals for profit distribution and for recovery of losses;

(vi) to formulate proposals for the increase or reduction of the company's registered capital and the issue of corporate bonds;

(vii) to prepare plans for the merger, division or dissolution of the company;

(viii) to decide on the company's internal management structure;

(ix) to appoint or dismiss the company's president, and based on the president's recommendation, to appoint or dismiss vice presidents and financial officers of the company and to determine their remuneration;

(x) to formulate the company's basic management system; and

(xi) any other power given under the articles of association of the company.

In addition, the Mandatory Provisions provide that the board of directors is also responsible for formulating the proposals for amendment of the articles of association of a company.

A board meetings shall be held only if more than half of the directors are present. Resolutions of the board of directors require the approval of more than half of all directors. If a director is unable to attend a board meeting, he may appoint another director by a written power of attorney specifying the scope of the authorisation to attend the meeting on his behalf.

If a resolution of the board of directors violates the laws, administrative regulations or the company's articles of association as a result of which the company sustains serious losses, the directors participating in the resolution are liable to compensate the company. However, if it can be proven that a director expressly objected to the resolution when the resolution was voted on, and that such objections were recorded in the minutes of the meeting, such director may be relieved of that liability.

Under the Company Law, the following persons may not serve as a director of a company:

(i) persons without civil capacity or with restricted civil capacity;

(ii) persons who have committed the offense of corruption, bribery, taking of properties, embezzlement of property or destruction of the socialism market economic order, and have been sentenced to criminal punishment with the enforcement period is less than five years; or persons who have been deprived of their political rights due to criminal offense with the enforcement period is less than five years;

(iii) persons who are former directors, factory managers or managers of a company or enterprise which has become bankrupt and been liquidated due to mismanagement and who are personally liable for the bankruptcy of such company or enterprise, where less than three years have elapsed since the date of the completion of the bankruptcy and liquidation of the company or enterprise;

(iv) persons who were legal representatives of a company or enterprise which had its business license revoked or business operation shut down due to violation of the law and who are personally liable, where less than three years have elapsed since the date of the revocation of the business license; or

(v) persons who have a relatively large amount of debt due and outstanding.

If there is any violation of prescribed election, appointment of director, supervisor or employment of senior management by a company, such election, appointment or employment shall become invalid. On the occurrence of aforesaid during the tenure of directors, supervisors and senior management, the company shall discharge them from their position.

Mandatory Provisions specifies that the ineligibility of a person being the director of the Company is as follows:

(i) the person who is taken under investigation by legal authorities due to violation of law and the case is pending;

(ii) the person who is unable to take up the leading position of an enterprise according to law and administrative regulation;

(iii) the person is not a natural person; or

(iv) the ruling made by the competent authorities that such person has violated relevant security regulation and with fraudulence and infidelity, and less than 5 years since the date of ruling.

The board of directors shall appoint a chairman, who is elected with approval of more than half of all the directors. The chairman of the board of directors exercises, among others, the following powers:

(i) to preside over general meetings and convene and preside over meetings of the board of directors; and

(ii) to check on the implementation of the resolutions of the board of directors.

The legal representative of a company in accordance with the company's articles of association, is the chairman of the board of directors.

The Special Regulations provide that the directors, supervisors, managers and other senior management shall comply with the Memorandum of Association with fiduciary duties to safeguard the interest of the Company and shall not make use of their position and power in the Company for their own benefits. The Mandatory Provisions (which have been incorporated into the Articles of Association, a summary of which is set out in "Appendix V — Summary of the Articles of Association" to this [**REDACTED**]) contain further elaborations of such duties.

Supervisors

A company shall have a supervisory committee composed of not less than three members. Each term of office of a supervisor is three years and he may serve consecutive terms if re-elected. The supervisory committee is made up of shareholders representatives and an appropriate proportion of the company's staff representatives; and the percentage of the number of the company's staff representatives shall not be less than one-third. Directors and senior management shall not act as supervisors.

Requirements in relation to the power of the supervisory committee under the Company Law are as follows:

(i) to examine the company's financial affairs;

(ii) to supervise the directors and senior management in their performance of their duties and to propose the removal of any director or senior management who violates the laws, regulations, articles of association or shareholders' resolution;

(iii) to require any director or senior management whose act is detrimental to the company's interests to rectify such act;

(iv) to verify the financial information to be proposed by the Board at the general meeting, such as financial reports, business reports and profit distribution plans, and appoint, on behalf of the Company, certified accountants and auditors to review the information in case there is any doubt;

(v) to propose the convening of extraordinary shareholders' general meetings and, in the event that the board of directors fails to perform the duties of convening and presiding shareholders' meetings to convene and preside over shareholders' meetings;

(vi) to propose any resolution to shareholders' general meetings;

(vii) to negotiate with, or to commence any action against, any directors or senior management on behalf of the company; and

(viii) other powers specified in the articles of association.

The circumstances under which a person is disqualified from being a director of a company described above apply mutatis mutandis to supervisors of a company.

The Special Regulations provides that a company's directors, supervisors, managers and other senior management shall have fiduciary and dedicated duties and shall comply with the articles of association, and are required to faithfully perform their duties, protect the interests of the company and not to use their positions and authorities within the company for their own benefit.

Managers and Senior Management

A joint stock company shall have a manager who shall be appointed or removed by the board of directors. The manager is accountable to the board of directors and may exercise the following powers:

(i) in charge of the production, operation and management of the company and arrange for the implementation of resolutions of the board of directors;

(ii) to arrange for the implementation of the company's annual business plans and investment proposals;

(iii) to formulate plans for the establishment of the company's internal management structure;

(iv) to formulate the basic administration system of the company;

(v) to formulate the company's internal rules;

(vi) to recommend the appointment and dismissal of deputy managers and any financial officer;

(vii) to determine to appoint or dismiss other administration officers (other than those required to be appointed or dismissed by the board of directors);

(viii) other powers conferred by the board of directors; and

(ix) other powers as required under the articles of association.

The Special Regulations and the Mandatory Provisions provide that the other senior management of a company shall include the financial officer, secretary to the board of directors and other executives as required under the article of association of the company.

The circumstances under which a person is disqualified from being a director of a company described above apply mutatis mutandis to managers and officers of the company. The articles of association of a company shall have binding effect on the shareholders, directors, supervisors, managers and other senior management of the company. Such persons shall be entitled to exercise their rights and commence legal proceedings pursuant to the articles of association of the company. The provisions of the Mandatory Provisions regarding the senior management of a company have been incorporated in the Articles of Association, a summary of which is set out in "Appendix V — Summary of the Articles of Association" to this [**REDACTED**].

Duties of Directors, Supervisors, Managers and Senior Management

A director, supervisor, manager and other senior management of a company are required under the Company Law to comply with the laws, administrative regulations and the articles of association, shall have fiduciary and dedicated duties to the company. No director, supervisor and senior management shall use his/her powers to accept any bribes or other illegal income nor embezzle any properties of a company. A director, supervisor, manager and other senior management of a company is also under a duty of confidentiality to the company and is prohibited from divulging secret information of the company save as permitted by the relevant laws and regulations or by the shareholders. A director, supervisor, manager and other senior management who contravenes any laws, administrative regulations or the articles of association in the performance of his/her duties which results in any loss to the company shall be liable for damages.

The Special Regulations and Mandatory Provisions provide that a director, supervisor, manager and other senior management of a company shall have fiduciary and dedicated duties to the company, and are required to faithfully perform their duties, protect the interests of the company and not to use their positions and authorities within the company for their own benefit.

Finance and Accounting

A company shall establish its financial and accounting systems according to the laws, administrative regulations and the provisions of the responsible financial department under the State Council and at the end of each financial year, prepare a financial and accounting report which shall be audited by a certified public accountant as provided by laws.

A joint stock company shall deposit its financial and accounting report at the company for inspection by its shareholders at least 20 days prior to the annual general meeting. A joint stock company which issues shares by way of open offer shall publish its financial and accounting report.

When distributing each year's after-tax profits, the company shall set aside 10% of its after-tax profits for the company's statutory surplus reserve. No statutory surplus reserve shall be set aside when its accumulative amount has reached 50% of the company's registered capital. Where the statutory surplus reserve of a company is insufficient to make up for the loss in the previous year, such loss should be made up by utilising the profit of the current year before setting aside the statutory surplus reserve as required aforesaid. After a company has made an allocation to its statutory common reserve from its after-tax profits, subject to a resolution of the shareholders' general meeting, the company may make an allocation to a discretionary common reserve.

After making up for its losses and setting aside the remaining post-tax profits after the statutory surplus reserve, a joint stock company shall make allocation in proportion to the shares held by the shareholders except as otherwise provided in the articles of association of such joint stock company. The clause of breach of a general meeting or a board meeting requires that if profit has been distributed to shareholders before making up the loss and setting aside the statutory surplus reserve by the company, the shareholders shall return the profit so distributed in breach of the requirement to the company. No profit shall be distributed in respect of the company's shares held by it.

The premiums from the shares issued at the issue price in excess of the nominal account of the shares by a joint stock company and the other income to be included in capital common reserve as required by the financial department under the State Council shall be included in the company's capital common reserve. The Company's common reserve may be utilised to make up the loss of the company, expand the production and operations of the company and be converted to increase the capital of the company. A company's capital common reserve, however, may not be utilised to make up the loss of the company. When the statutory surplus reserve is converted to capital, the retained common reserve must not be less than 25% of the company's registered capital before such conversion.

Save for the statutory books of accounts, a company shall not maintain any books of accounts. No account shall be opened to deposit the company's assets under the name of any person.

Appointment and Retirement of a Certified Public Accountants

The Mandatory Provisions requires a company to engage an independent certified public accountants who has complied with the relevant requirements of the State to audit the company's annual report and to review and examine other financial reports of the company. A company shall make enquiries in respect of the relevant information and replies provided by the certified public accountants engaged by them.

The certified public accountants engaged by the company shall hold office commencing from the adjournment of the current annual general meeting and ending at the close of the next following annual general meeting. If a company removes or ceases to re-appoint a certified public accountants, it is required by the Special Regulations to give prior notice to such certified public accountants who is entitled to make representations at the general meeting. The appointment, removal or non re-appointment of a certified public accountants shall be decided at a general meeting and shall be filed with the CSRC for record.

Distribution of Profits

The Company Law provides that a company is restricted from distributing profits before accumulated losses have been made up and statutory common reserve have been drawn. The Special Regulations provides that the dividends and other distributions to be paid to holders of overseas listed foreign invested shares shall be declared and calculated in Renminbi and paid in foreign currency. Under the Mandatory Provisions, the payment of foreign currency to shareholders shall be made through a receiving agent.

Amendments to Articles of Association

Any amendments to the company's articles of association must be made in accordance with the procedures set forth in the company's articles of association. Any amendment of provisions incorporated in the articles of association in connection with the Mandatory Provisions will only be effective after approval by the company approval department authorised by the State Council and the CSRC according to the Mandatory Provisions. In relation to matters involving the company's registration, the company shall apply for change of registration with the authority.

Dissolution and Liquidation

A company may apply for the declaration of insolvency by reason of a failure to repay the indebtedness as they fall due. After the People's Court has made a declaration of the company's insolvency, the shareholders, the relevant authorities and the relevant professionals shall form a liquidation committee to conduct the liquidation of the company.

Under the Company Law, a company shall be dissolved in any of the following events:

(i) the term of its operations set down in its articles of association has expired or events of dissolution specified in its articles of association have occurred;

(ii) the shareholders in general meeting have resolved to dissolve the company;

(iii) the company is dissolved by reason of its merger or demerger;

(iv) the company is subject to the revocation of business license, a closure order or elimination in accordance with laws; or

(v) in the event that the company encounters substantial difficulties in its operation and management and its continuance shall cause a significant loss, in the interest of shareholders, and where this cannot be resolved through other means, shareholders who hold more than 10% of the total shareholders' voting rights of the company may present a petition to the people's court for the dissolution of the company.

Where the company is dissolved in the circumstances described in (i), (ii), (iv) and (v) above, a liquidation committee must be formed within 15 days after the occurrence of the cause of dissolution so as to carry out liquidation. Members of the liquidation committee shall be composed of the directors or any other people as determined by the shareholders' meeting. If a liquidation committee is not established within the stipulated period, the company's creditors can apply to the people's court for its establishment.

The liquidation committee shall notify the company's creditors within ten days after its establishment, and issue a public notice in the newspapers within 60 days. A creditor shall lodge his claim with the liquidation committee within 30 days after receiving notification, or within 45 days of the public notice if he did not receive any notification. The liquidation committee shall exercise the following powers during the liquidation period:

(i) to handle the company's assets and to prepare a balance sheet and an inventory of the assets;

(ii) to notify creditors or issue public notices;

(iii) to deal with and settle any outstanding business of the company;

(iv) to pay any tax overdue;

(v) to settle the company's financial claims and liabilities;

(vi) to handle the surplus assets of the company after its debts have been paid off; and

(vii) to represent the company in civil lawsuits.

If the company's assets are sufficient to meet its liabilities, they shall be applied towards the payment of the liquidation expenses, wages owed to the employees and labour insurance expenses, tax overdue and debts of the company. Any surplus assets shall be distributed to the shareholders of the company in proportion to the number of shares held by them. During the liquidation period, the company shall not engage in operating activities unrelated to the liquidation.

If the liquidation committee becomes aware that the company does not have sufficient assets to meet its liabilities, it must immediately apply to the people's court for a declaration for bankruptcy. Following such declaration, the liquidation committee shall hand over all affairs of the liquidation to the people's court.

Upon the completion of the liquidation, the liquidation committee shall submit a liquidation report to the shareholders' general meeting or the people's court for confirmation. Thereafter, the report shall be submitted to the companies registration authority in order to cancel the company's registration, and a public notice of its termination shall be issued.

Members of the liquidation committee are required to discharge their duties honestly and in compliance with relevant laws. A member of liquidation committee is liable to indemnify the company and its creditors in respect of any loss arising from his willful or material default.

Overseas Listing

The shares of a company shall only be listed overseas after obtaining approval from the securities regulatory authority of the State Council and the listing must be arranged in accordance with procedures specified by the State Council.

According to the Special Regulations, a company's plan to issue overseas listed foreign invested shares and domestic invested shares which has been approved by the securities regulatory authority of the State Council may be implemented by the board of directors of a company by way of separate issues, within 15 months after approval is obtained from the CSRC.

Loss of Share Certificates

A shareholder may apply, in accordance with the relevant provisions set out in the PRC Civil Procedure Law, to a people's court in the event that share certificates in registered form are either stolen or lost, for a declaration that such certificates will cease to be void and valid. After a judgement of ceasing to be valid of the share certificates has been declared, the shareholder may apply to the company for a re-issue of replacement certificates.

The Mandatory Provisions provide for a separate procedure regarding loss of H share certificates (which has been incorporated in the Articles of Association, a summary of which is set out in "Appendix V — Summary of the Articles of Association."

Suspension and Termination of Listing

The Company Law has deleted the provisions governing suspension and termination of listing. The new PRC Securities Law has made the following amendments:

The trading of shares of a company on a stock exchange may be suspended if so decided by the stock exchange under one of the following circumstances:

(i) there are changes in the company's registered capital or shareholding distribution making it no longer comply with the listing requirements;

(ii) the company failed to make public its financial position in accordance with the requirements or there is false information in the financial and accounting report of potentially misleading investors;

(iii) the company has committed a major breach of the law;

(iv) the company has incurred losses for last three consecutive years; or

(v) other circumstances as required by the listing rules of the relevant stock exchange(s).

The PRC Securities Laws provide that a stock exchange may decide to suspense the listing and trading of the shares of a company if:

(i) there are changes in the company's registered capital or shareholding distribution making it no longer comply with the listing requirements, and it yet to comply with the listing required within the period specified by such stock exchange;

(ii) the company failed to make public its financial position in accordance with the requirements or there is false information in the financial and accounting report of potentially misleading investors;

(iii) the company has incurred losses for last three consecutive years, and it still fails to become profitable for the subsequent year;

(iv) the company dissolves or is declared bankruptcy; or

(v) other circumstances as required by the listing rules of the relevant stock exchange(s).

Merger and Demerger

Companies may merge through merger by absorption or through the establishment of a newly merged entity. If it merges by absorption, the company which is absorbed shall be dissolved. If it merges by forming a new corporation, both companies will be dissolved.

Securities Law and Regulations

The PRC has promulgated a number of regulations that relate to the issue and trading of the Shares and disclosure of information. In October 1992, the State Council established the Securities Committee and the CSRC. The Securities Committee was responsible for coordinating the drafting of securities regulations, formulating securities-related policies, planning the development of securities markets, directing, coordinating and supervising all securities-related institutions in the PRC and administering the CSRC. The CSRC was the regulatory body of the Securities Committee and responsible for the drafting of regulatory provisions of securities markets, supervising securities companies, regulating public offers of securities by PRC companies in the PRC or overseas, regulating the trading of securities, compiling securities-related statistics and undertaking research and analysis.

On 22 April 1993, the "Interim Measures on the Administration of Listing and Trading of Shares" (《股票發行與交易管理暫行條例》) was issued by the State Council. This regulation stipulates a PRC enterprise must obtain approval from the CSRC before it may issue securities, directly or indirectly, overseas or trade its shares outside the PRC.

In 1998, the State Council dissolved the Securities Committee and assigned its function to the CSRC. The CSRC is also responsible for the regulation and supervision of the national stocks and futures market according to PRC laws, regulations and authorisations.

The PRC Securities Law was passed by the Standing Committee of the National People of Congress on 29 December 1998 and was implemented on 1 July 1999 and was first revised on 28 August 2004, was second revised on 27 October 2005, and was third revised on 29 June 2013. This is the first national securities law in the PRC, and it is divided into 12 chapters and 240 articles regulating, among other things, the issue and trading of securities, takeovers by listed companies, the stock exchanges, securities companies and the duties and responsibilities of securities regulatory and administrative authorities under the State Council. The PRC Securities Law comprehensively regulates the activities in the PRC securities market. Article 238 of the PRC Securities Law provides that a PRC enterprise must obtain approval from securities regulatory and administrative authorities under the State Council before it may issue securities, directly or indirectly, overseas or list and trade its shares outside the PRC. Article 239 of the PRC Securities Law provides that specific provisions in respect of shares of companies in the PRC which are to be subscribed and traded in foreign currencies shall be separately formulated by the State Council. Currently, the issue and trading of foreign issued shares (including H Shares) are still mainly governed by the rules and regulations promulgated by the State Council and the CSRC.

Arbitration and Enforcement of Arbitral Awards

The Arbitration Law of the PRC was passed by the Standing Committee of the National People of Congress on 31 August 1994 and was implemented on 1 September 1995, which was then amended on 27 August 2009. The Arbitration Law of the PRC provides that it is applicable to disputes on contracts and disputes on other properties and interests arising between citizens, legal persons and other organisations from equal entities. Where the parties have reached an arbitration agreement and one of the parties file a proceeding with the People's Court, such case will be rejected by the People's Court, except that the arbitration agreement is invalid. The ruling of the arbitration shall have legal effect from its date of issue.

The Mandatory Provisions require an arbitration clause to be included in the articles of association, to the effect that whenever any disputes or claims concerning corporate affairs arising between holders of the H Shares and the company, holders of the H Shares and the directors, supervisors, managers or other senior management, or holders of foreign listed shares and holders of the Domestic Shares, arising out of the affairs of the company or the articles of associations, and any disputes or claims arising from any rights or obligations conferred or imposed by the Company Law or other relevant laws and administrative regulations, shall be referred to arbitration.

Where a dispute or claim of rights referred to in the preceding paragraph is referred to arbitration, the entire claim or dispute must be referred to arbitration, and all persons who have a cause of action based on the same facts giving rise to the dispute or claim or whose participation is necessary for the resolution of such dispute or claim, if they are shareholders, directors, supervisors, managers or other senior management of the company, shall be subject to the arbitration. Disputes in respect of who is the shareholder and disputes in relation to the register of shareholders need not be resolved by arbitration.

A claimant may elect for arbitration to be carried out either at the China International Economics and Trade Arbitration Commission in accordance with its rules or the Hong Kong International Arbitration Centre in accordance with its securities arbitration rules. Once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitral body elected by the claimant. If the claimant elects for arbitration to be carried out at the Hong Kong International Arbitration Centre, any party to the dispute or claim may apply for a hearing to take place in Shenzhen in accordance with the securities arbitration rules of the Hong Kong International Arbitration Centre. Under the PRC Arbitration Law and the PRC Civil Procedure Law, an arbitral award is final and binding on the parties. If a party fails to comply with an award, the other party to the award may apply to the people's court for enforcement. A people's court may refuse to enforce an arbitral award made by an arbitration tribunal if there is any procedural or membership irregularity specified by law or the award exceeds the scope of the arbitration agreement or is outside the jurisdiction of the arbitration tribunal.

A party seeking to enforce an arbitral award of PRC arbitration panel against a party who, or whose property, is not within the PRC, may apply to a foreign court with jurisdiction over the case for enforcement. Similarly, an arbitral award made by a foreign arbitration body may be recognised and enforced by the PRC courts in accordance with the principles of reciprocity or any international treaty concluded or acceded to by the PRC. The PRC acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (《承認及執行外國仲裁裁決公約》) (hereinafter referred to as the "New York Convention") adopted on 10 June 1958 pursuant to a resolution of the Standing Committee of the National People of Congress passed on 2 December 1986. The New York Convention provides that all arbitral awards made in a state which is a party to the New York Convention shall be recognised and enforced by other parties to the New York Convention, subject to their right to refuse enforcement under certain circumstances, including where the enforcement of the arbitral award is against the public policy of the State to which the application for enforcement is made. It was declared by the Standing Committee of the National People of Congress simultaneously with the accession of the PRC that (i) the PRC will only apply such convention on a mutual basis that the arbitral award made within the land of another allied country is being recognised and enforced; and (ii) the PRC will only apply such convention in disputes considered under PRC laws to arise from contractual and non-contractual mercantile legal relations.

In June 1999, an arrangement was made between Hong Kong and the Supreme People's Court of the PRC for the mutual enforcement of arbitral awards. This arrangement was approved by the Supreme People's Court of the PRC and the Hong Kong Legislative Council, and became effective on 1 February 2000. The arrangement is made in accordance with the spirit of the New York Convention. Under such arrangement, awards made by PRC arbitration bodies pursuant to the PRC Arbitration Law can be enforced in Hong Kong, and Hong Kong arbitral awards pursuant to the Arbitration Ordinance of Hong Kong are also enforceable in the PRC.

MATERIAL DIFFERENCES BETWEEN CERTAIN COMPANY LAW MATTERS IN THE PRC AND HONG KONG

Hong Kong company law is primarily set out in the Companies Ordinance and supplemented by common law. There are material differences between Hong Kong company law and the PRC law applicable to a joint stock limited company incorporated under the Company Law, to which our Company is and will be subject, particularly in the area of investor protection. Certain of the material differences between the Company Law and Hong Kong company law which is currently in force are summarised below. This summary, however, is not intended to be an exhaustive comparison. It should also be noted that the summary relates only to joint stock limited companies incorporated under the Company Law and that the summary and the information in it is current only as at the date of this [**REDACTED**].

Quorum

Under the Companies Ordinance, unless otherwise specified by our Articles of Association, the quorum for a general meeting is two members. The Company Law does not specify any quorum requirement for a general meeting, but the Special Regulations and the Mandatory Provisions provide that our general meeting may be convened when replies to the notice of that meeting have been received from Shareholders whose Shares represent 50% of the voting rights at least 20 days before the proposed date of the meeting. If that 50% level is not achieved, we must within five days notify our Shareholders by way of a public announcement and we may hold the general meeting thereafter.

Notice of Meeting

Under the Company Law, notice convening a general meeting of a joint stock limited liability company must be given not less than 20 days before the date of the meeting or, in the case of bearer shares, the notice must be given not less than 30 days before the date of the meeting. Under the Special Regulations and the Mandatory Provisions (to the extent they are applicable to our Company), 45 days' written notice must be given to all our Shareholders and Shareholders who wish to attend the meeting must reply in writing 20 days before the date of the meeting. For a Hong Kong limited company, the minimum period of notice for a general meeting, where convened for the purpose of considering ordinary resolutions, is 14 days and, where convened for the purpose of considering special resolutions, is 21 days. The minimum notice period for an annual general meeting is also 21 days.

Voting

Under Hong Kong law, an ordinary resolution is passed by a simple majority of affirmative votes cast by members present in person or by proxy at a general meeting and a special resolution is passed by a majority of not less than three-fourths of votes cast by members present in person or by proxy at a general meeting. Under the Company Law, the passing of any resolution requires more than one-half of the votes held by shareholders present in person or by proxy at a general meeting, except in cases of proposed amendments to the articles of association, an increase or a reduction of registered capital, merger, division, dissolution or alteration of form of the company, which require two-thirds of the votes held by shareholders present in person or by proxy at a general meeting.

Share capital

The authorised share capital of a joint stock limited liability company incorporated under the Company Law shall be the same as its issued share capital. For a Hong Kong company, the authorised share capital may be larger than the issued share capital. Hence, the directors of a Hong Kong company may, with the prior approval of the shareholders, if required, cause the company to issue new shares. The Company Law does not recognise the concept of authorised share capital. Any increase in the registered capital must be approved by the shareholders at a general meeting and by the relevant PRC governmental and regulatory authorities (if applicable). Upon completion of the issuance of new shares duly approved, the company shall register the increased share capital with the relevant State Administration for Industry and Commerce.

Under the PRC Securities Law, a company which is seeking to list its shares on a stock exchange must have share capital of not less than RMB30 million. Hong Kong law does not prescribe any minimum capital requirements for companies incorporated in Hong Kong.

Under the Company Law, capital contributions may be in the form of monetary or non-monetary assets (other than assets not permitted to be used as capital contributions under the relevant laws and regulations). For non-monetary assets to be used as capital contributions, valuations must be carried out to ensure no overvaluation or undervaluation of the assets. There is no such restriction on a Hong Kong company under Hong Kong law.

Restrictions on shareholding and transfer of shares

Under the Special Regulations, except otherwise permitted under the Provisional Measures on Management of Investing in Overseas Securities by Qualified Domestic Institutional Investors《合格境內機構投資者境外證券投資管理試行辦法》, H shares shall only be held and traded by overseas investors. Hong Kong laws do not impose restrictions on individuals dealing in shares of Hong Kong companies on the basis of his residence or nationality.

Under the Company Law, shares in a joint stock limited liability company held by its promoters, directors and senior management cannot be transferred within certain periods. Shares in issue prior to the company's public offering cannot be transferred within one year from the listing date of its shares on the stock exchange. There are no such restrictions under Hong Kong law although there are the six-month lock-up on our Company's issue of Shares and the 12-month lock-up on our Controlling Shareholder's disposal of Shares, as illustrated by the undertakings given by our Company to the Hong Kong Stock Exchange as described in "Underwriting" in this [**REDACTED**].

Variation of class rights

The Company Law makes no specific provision relating to variation of class rights. However, the Company Law states that the State Council can promulgate regulations relating to other kinds of shares.

The Mandatory Provisions contain detailed provisions relating to the circumstances which are deemed to be variations of class rights and the approval procedures required to be followed in respect thereof. These provisions have been incorporated in our Articles of Association, which are summarised in Appendix V — "Summary of Articles of Association" in this [**REDACTED**].

Under the Companies Ordinance, no rights attached to any class of shares can be varied except (i) with the approval of a special resolution of the holders of the relevant class at a separate meeting, (ii) with the consent in writing of the holders of three-quarters in nominal value of the issued shares of the class in question, (iii) by agreement of all the members of the company or (iv) if there are provisions in company's articles of association relating to the variation of those rights, then in accordance with those provisions.

We (as required by the Hong Kong Listing Rules and the Mandatory Provisions) have adopted in our Articles of Association provisions protecting class rights in a similar manner to those found in Hong Kong law. Holders of Domestic Shares and foreign-invested Shares which are not listed on the Hong Kong Stock Exchange and overseas listed Shares are defined in our Articles of Association as different classes. The special procedures for voting by a class of Shareholders shall not apply in the following circumstances:

(i) where our Company issues, upon approval by a special resolution at a Shareholders' general meeting, Domestic Shares and foreign-invested Shares which are not listed on the Hong Kong Stock Exchange and overseas listed Shares once every 12 months, either separately or concurrently, and the respective numbers of Domestic Shares and foreign-invested Shares which are not listed on the Hong Kong Stock Exchange and overseas listed Shares proposed to be issued do not exceed 20% of the respective numbers of the issued Domestic Shares and foreign-invested Shares which are not listed on the Hong Kong Stock Exchange and overseas listed Shares;

(ii) where our Company's plan to issue Domestic Shares and foreign-invested Shares which are not listed on the Hong Kong Stock Exchange and overseas listed Shares at the time of incorporation is carried out within 15 months from the date of approval by the securities regulatory authorities of the State Council; and

(iii) where upon the approval from the securities authorities of the State Council, the Domestic Shares and foreign-invested Shares which are not listed on the Hong Kong Stock Exchange may be listed and traded in an overseas stock exchange.

Derivative action by minority shareholders

Hong Kong law permits minority shareholders to commence a derivative action on behalf of the company against directors who have committed a breach of their fiduciary duties to the company if the directors control a majority of votes at a general meeting, thereby effectively preventing the company from suing the directors in breach of their duties in its own name.

The Company Law gives our Shareholders the right to initiate proceedings in the people's courts in the PRC to restrain the implementation of any resolution passed by our Shareholders in a general meeting, or by the meeting convening procedures or ways of voting of the meetings of our Board of

Directors, that violates any law, administrative rules or Articles of Association or company's articles of association, or if our Directors or senior management violate laws, administrative rules or Articles of Association when performing their duties and cause losses to our Company. The Mandatory Provisions also provide us with certain remedies against our Directors and senior management who breach their duties to us. In addition, as a condition to the listing of our Shares on the Hong Kong Stock Exchange and in accordance with our Articles of Association, each of our Directors is required to give an undertaking in favour of us acting as agent for each of our Shareholders. This allows minority Shareholders to act against our Directors in events of default.

Minority shareholder protection

Under Hong Kong law, a shareholder who complains that the affairs of a company incorporated in Hong Kong are conducted in a manner unfairly prejudicial to his interests may petition to the court to either wind up the company or make an appropriate order regulating the affairs of the company. In addition, on the application of a specified number of members, the Financial Secretary of Hong Kong may appoint inspectors who are given extensive statutory powers to investigate the affairs of a company incorporated in Hong Kong.

Our Company, as required by the Mandatory Provisions, has adopted in our Articles of Association minority Shareholder protection provisions similar to (though not as comprehensive as) those available under the Hong Kong law. These provisions state that a Controlling Shareholder may not exercise its voting rights in a manner prejudicial to the interests of other Shareholders, may not relieve a Director or Supervisor of his duty to act honestly in our best interests or may not approve the expropriation by a Director or Supervisor of our assets or the individual rights of other Shareholders.

Dividends

We shall withhold, and pay to the relevant tax authorities, the PRC tax on any dividends or other distributions payable to a Shareholder. Under Hong Kong law, the limitation period for debt recovery action (including the recovery of dividends) is six years while that under PRC law is two years.

Financial disclosure

A joint stock limited liability company is required under the Company Law to make available at its office for inspection by shareholders its financial reports 20 days before an annual general meeting. In addition, a company issuing share certificates to the public under the Company Law must publish its financial statements. The annual balance sheet has to be verified by registered accountants. The Companies Ordinance requires a company to send to every shareholder a copy of its balance sheet, auditors' report and directors' report, which are to be tabled before the company at its annual general meeting, not less than 21 days before such meeting.

Under our Articles of Association (as required by the Hong Kong Listing Rules and the Mandatory Provisions), in addition to preparing accounts according to the PRC accounting standards, our Company may also have its accounts prepared and audited in accordance with the international accounting standards or Hong Kong accounting standards. Our Company is further required to publish our interim and annual accounts within 90 days from the end of the first six months of a financial year and within 120 days from the end of a financial year, respectively. The Special Regulations require that there should not be any inconsistency between the information disclosed within and outside the PRC and that, to the extent that there are differences in the information disclosed in accordance with the relevant PRC and overseas laws, regulations and requirements of the relevant stock exchanges, such differences should also be disclosed simultaneously.

Information on Directors and Shareholders

The Company Law gives Shareholders the right to inspect our Articles of Association, minutes of the Shareholders' general meetings and financial and accounting reports. Under our Articles of Association, Shareholders have the right to inspect and copy (at reasonable charges) certain information on Shareholders and on Directors similar to that available to shareholders of Hong Kong companies under Hong Kong law.

Corporate reorganisation

Corporate reorganisation involving a company incorporated in Hong Kong may be effected in a number of ways, such as a transfer of the whole or part of the business or property of the company in the course of being wound up voluntarily to another company pursuant to Section 237 of the Companies Ordinance or a compromise or arrangement between the company and its creditors or between the company and its members pursuant to Section 166 of the Companies Ordinance which requires the sanction of the court. Under the PRC law, the merger or demerger of a joint stock limited liability company has to be approved by voting by two-thirds of shareholders attending the general meeting in person or by proxy, and also has to be approved by the relevant government authorities (where applicable).

Remedies of our Company

Under the Company Law, if a Director, Supervisor or senior management contravenes any law or administrative regulation or our Articles of Association in the performance of his duties resulting in any loss to our Company, such Director, Supervisor or senior management shall be liable to our Company for the loss. In addition, in compliance with the Mandatory Provisions, our Articles of Association set out our remedies similar to those required by the Hong Kong law (including cancellation of the relevant contract and recovery of profits made by a director, supervisor or officer).

Arbitration of disputes

In Hong Kong, disputes between shareholders and a company or its directors, supervisors and other senior officers may be resolved through the courts. The Mandatory Provisions and our Articles of Association provide that disputes between a holder of overseas listed Shares and the Company and our Directors, Supervisors, managers or other senior management or a holder of Domestic Shares and foreign-invested Shares which are not listed on the Hong Kong Stock Exchange, arising from our Articles of Association, the Company Law or other relevant laws and administrative regulations which concern the affairs of the Company should, with certain exceptions, be referred to arbitration at either the China International Economic and Trade Arbitration Commission or the Hong Kong International Arbitration Centre. Such arbitration is final and conclusive.

Financial assistance for acquisition of shares

The Company Law does not contain any provision prohibiting or restricting a joint stock limited liability company or its subsidiaries from providing financial assistance for the purpose of an acquisition of its own or its holding company's shares. The Mandatory Provisions contain certain restrictions on a company and its subsidiaries providing such financial assistance similar to those under the Companies Ordinance.

Mandatory deductions

Under the Company Law, a joint stock limited liability company is required to make transfers equivalent to certain prescribed percentages of its after-tax profit to the statutory capital reserve fund. There are no such requirements under Hong Kong law.

HONG KONG LISTING RULES

The Hong Kong Listing Rules provide additional requirements which apply to an issuer incorporated in the PRC as a joint stock limited liability company and seeking a primary listing or whose primary listing is on the Hong Kong Stock Exchange. Set out below is a summary of the principal provisions containing the additional requirements which apply to our Company.

Compliance adviser

A company seeking listing on the Hong Kong Stock Exchange is required to appoint a compliance adviser acceptable to the Stock Exchange for the period from its listing date up to the date of sending of its annual report to the shareholders for the first full year's financial results, to provide the company with professional advice on continuous compliance with the Hong Kong Listing Rules and all other applicable laws, regulations, rules, codes and guidelines.

If the Hong Kong Stock Exchange is not satisfied that the compliance adviser is fulfilling its responsibilities adequately, it may require the company to terminate the compliance adviser's appointment and appoint a replacement.

The compliance adviser must keep the company informed on a timely basis of changes in the Hong Kong Listing Rules and any new or amended law, regulation or code in Hong Kong applicable to the company. It must act as the company's principal channel of communication with the Hong Kong Stock Exchange if the authorised representatives of the company are expected to be frequently outside Hong Kong.

Accountants' reports

An accountants' report of a PRC issuer will not normally be regarded as acceptable by the Hong Kong Stock Exchange unless the relevant accounts have been audited to a standard comparable to that required in Hong Kong. Such report will normally be required to conform to either Hong Kong or international standards on accounting or PRC accounting standards.

Process agent

A company is required to appoint and maintain a person authorised to accept service of process and notices on its behalf in Hong Kong throughout the period during which its securities are listed on the Hong Kong Stock Exchange and must notify the Hong Kong Stock Exchange of his, her or its appointment, the termination of his, her or its appointment and his, her or its contact particulars.

Public shareholdings

If at any time there are existing issued securities of a PRC issuer other than foreign shares which are listed on the Hong Kong Stock Exchange, the Hong Kong Listing Rules require that the aggregate amount of H shares and other securities held by the public must constitute not less than 25% of the PRC issuer's total issued share capital and that the class of securities for which listing is sought must not be less than 15% of the issuer's total issued share capital, having an expected market capitalisation at the time of listing of not less than HK$50 million.

The Hong Kong Stock Exchange may, at its discretion, accept a lower percentage of between 15% and 25% in the case of issuers with an expected market capitalisation at the time of listing of over HK$10 billion.

Independent non-executive directors and supervisors

Independent non-executive directors of a PRC issuer are required to demonstrate an acceptable standard of competence and adequate commercial or professional expertise to ensure that the interests of the general body of shareholders will be adequately represented. Supervisors must have the character, expertise and integrity and be able to demonstrate a standard of competence commensurate with their position as supervisors.

Restrictions on purchase and subscription of own securities

Subject to governmental approvals and the provisions of our Articles of Association, we may repurchase our own H Shares on the Hong Kong Stock Exchange in accordance with the provisions of Hong Kong Listing Rules. Approvals by way of a special resolution of holders of Domestic Shares and foreign-invested Shares which are not listed on the Hong Kong Stock Exchange and the holders of overseas listed Shares at separate class meetings conducted in accordance with our Articles of Association is required for Share repurchases. In seeking approvals, we are required to provide information on any proposed or actual purchases of any or all of our equity securities, whether or not listed or traded on the Hong Kong Stock Exchange. We must also state the consequences of any purchases which will arise under either or both of the Takeovers Code and any similar PRC law of which our Directors are aware, if any. Any special approval or general mandate given to our Directors to repurchase H Shares must not exceed 10% of the total amount of existing issued H Shares.

Mandatory Provisions

With a view to increasing the level of protection afforded to investors, the Hong Kong Stock Exchange requires the incorporation, in the articles of association of a PRC company whose primary listing is on the Hong Kong Stock Exchange, of the Mandatory Provisions and provisions relating to the change, removal and resignation of auditors, class meetings and the conduct of the supervisory committee of the company. Such provisions have been incorporated into our Articles of Association, a summary of which is set out in Appendix V — "Summary of Articles of Association" in this [**REDACTED**].

Redeemable shares

We must not issue any redeemable Shares unless the Hong Kong Stock Exchange is satisfied that the relative rights of the holders of H Shares are adequately protected.

Pre-emptive rights

Except in the circumstances mentioned below, our Directors must obtain the approval by a special resolution of Shareholders in general meeting and the approvals by special resolutions of holders of Domestic Shares and foreign-invested Shares which are not listed on the Hong Kong Stock Exchange and holders of overseas listed Shares (each being otherwise entitled to vote at general meetings) at separate class meetings conducted in accordance with our Articles of Association prior to authorising, allotting, issuing or granting Shares or securities convertible into Shares, or options, warrants or similar rights to subscribe for any Shares or such convertible securities.

No such approval will be required under the Hong Kong Listing Rules, but only to the extent that, our existing Shareholders have by special resolution in general meeting given a mandate to our Directors, either unconditionally or subject to such terms and conditions as may be specified in the resolution, to authorise, allot or issue, either separately or concurrently once every 12 months, Shares which represent not more than 20% of each of the existing issued Domestic Shares and foreign-invested Shares which are not listed on the Hong Kong Stock Exchange and overseas listed Shares as at the date of the passing of the relevant special resolution or, not more than 20% of the relevant Domestic Shares and foreign-invested Shares which are not listed on the Hong Kong Stock Exchange and overseas listed Shares intended to be issued at the time of our establishment, as such plan is implemented within 15 months from the date of approval by the CSRC.

Supervisors

We are required to adopt rules governing dealings by our Supervisors in securities of our Company in terms no less exacting than those of the model code (set out in Appendix 10 to the Hong Kong Listing Rules) issued by the Hong Kong Stock Exchange. Our Company is required to obtain the approval of the Shareholders in a general meeting (at which the relevant Supervisor and his associates shall not vote on the matter) prior to our Company or any of our subsidiaries entering into a service contract of the following nature with a Supervisor or proposed Supervisor of our Company or our subsidiaries: (i) the contract is for a duration that may exceed three years; or (ii) the contract expressly requires our Company to give more than one year's notice or to pay compensation or make other payments equivalent to more than one year's emoluments.

The remuneration and appraisal committee of our Company or an independent board committee must form a view in respect of service contracts that requires Shareholders' approval and advise Shareholders (other than Shareholders with a material interest in the service contracts and their associates) as to whether the terms are fair and reasonable, advise whether such contracts are in the interests of our Company and the Shareholders as a whole and advise Shareholders on how to vote.

Amendment to our Articles of Association

We are required not to permit or cause any amendment to our Articles of Association which would cause them to cease to comply with the Company Law, the Mandatory Provisions or the Hong Kong Listing Rules.

Documents for inspection

We are required to make available at a place in Hong Kong for inspection by the public and our Shareholders free of charge, and for copying by Shareholders at reasonable charges, the following:

- a complete duplicate register of Shareholders;
- a report showing the state of the issued share capital of our Company;
- our latest audited financial statements and the reports of our Directors, auditors and Supervisors (if any) thereon;
- special resolutions of our Company;
- reports showing the number and nominal value of securities repurchased by our Company since the end of the last financial year, the aggregate amount paid for such securities and the maximum and minimum prices paid in respect of each class of securities repurchased (with a breakdown between Domestic Shares and foreign-invested Shares which are not listed on the Hong Kong Stock Exchange and overseas listed Shares);
- a copy of the latest annual return filed with the State Administration of Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局) or other competent PRC authority; and
- for Shareholders only, copies of the minutes of meetings of Shareholders.

Receiving agents

Our Company is required to appoint one or more receiving agents in Hong Kong and pay to such agent(s) dividends declared and other monies owing in respect of the H Shares to be held, pending payment, in trust for the holders of such H Shares.

Statements in share certificates

We are required to ensure that all our listing documents and H Share certificates include the statement stipulated below and to instruct and cause our H Share Registrar not to register the subscription, purchase or transfer of any of our H Shares in the name of any particular holder unless and until such holder delivers to the share registrar a signed form in respect of those H Shares bearing statements to the following effect, that the holder of H Shares:

- agrees with us and each of our Shareholders, and we agree with each of our Shareholders, to observe and comply with the Company Law, the Special Regulations and our Articles of Association;

- agrees with us, each of our Shareholders, Directors, Supervisors, managers and other officers, and we, acting both for ourselves and for each of our Directors, Supervisors, managers and other officers, agree with each of our Shareholders to refer all differences and claims arising from our Articles of Association or any rights or obligations conferred or imposed by the Company Law or other relevant laws and administrative regulations concerning our affairs to arbitration in accordance with our Articles of Association, and any reference to arbitration shall be deemed to authorise the arbitration tribunal to conduct hearings in open session and to publish its award, which shall be final and conclusive;

- agrees with us and each of our Shareholders that our H Shares are freely transferable by the holders thereof; and

- authorises us to enter into a contract on his or her behalf with each of our Directors, Supervisors, managers and officers whereby such Directors, Supervisors, managers and officers undertake to observe and comply with their obligations to our Shareholders as stipulated in our Articles of Association.

Compliance with the Company Law, the Special Regulations and our Articles of Association

Our Company is required to observe and comply with the Company Law, the Special Regulations and our Articles of Association.

Contract between our Company and our Directors, officers and Supervisors

Our Company is required to enter into a contract in writing with each of our Director and officer containing at least the following provisions:

- that our Director or officer is required to observe and comply with the Company Law, the Special Regulations, our Articles of Association, the Takeovers Code and an agreement with our Company that remedies shall be provided in accordance with our Articles of Association and that neither their contract nor their office are capable of assignment;

- an undertaking by our Director or officer, acting as agent for each Shareholder, to our Company to observe and comply with his obligations to Shareholders as stipulated in our Articles of Association;

- an arbitration clause which provides that, whenever any differences or claims arise from any rights or obligations conferred or imposed by that contract, our Articles of Association, the Company Law or other relevant law and administrative regulations concerning the affairs of our Company between our Company and our Directors or officers and between a holder of H Shares and a Director or officer of our Company, such differences or claims will be referred to arbitration at either the China International Economic and Trade Arbitration Commission in accordance with its rules or the Hong Kong International Arbitration Centre in accordance with its securities arbitration rules, at the election of the claimant and that, once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitration body elected by the claimant. Such arbitration will be final and conclusive;

- if the party seeking arbitration elects to arbitrate the dispute or claim at the Hong Kong International Arbitration Centre, then either party may apply to have such arbitration conducted in Shenzhen according to the securities arbitration rules of the Hong Kong International Arbitration Centre;

- PRC laws shall govern the arbitration of disputes or claims referred to above, unless otherwise provided by law or administrative regulations;

- the award of the arbitration body is final and shall be binding on the parties thereto;

- the agreement to arbitrate is made by our Director or officer with our Company on our own behalf and on behalf of each Shareholder; and

- any reference to arbitration shall be deemed to authorise the arbitral tribunal to conduct hearings in open session and to publish its award.

Our Company is also required to enter into a contract in writing with each of our Supervisor containing statements in substantially the same terms.

Subsequent listing

Our Company must not apply for the listing of any of the H Shares on a PRC stock exchange unless the Hong Kong Stock Exchange is satisfied that the relative rights of the holders of foreign Shares are adequately protected.

English translation

All notices or other documents required under the Hong Kong Listing Rules to be sent by our Company to the Hong Kong Stock Exchange or to holders of the H Shares are required to be in the English language, or accompanied by a certified English translation.

General

If any change in the PRC law or market practices materially alters the validity or accuracy of any of the basis upon which the additional requirements have been prepared, then the Hong Kong Stock Exchange may impose additional requirements or make listing of the equity securities of a PRC issuer, including our Company, subject to special conditions as the Hong Kong Stock Exchange considers appropriate. Whether or not any such changes in the PRC law or market practices occur, the Hong Kong Stock Exchange retains its general power under the Hong Kong Listing Rules to impose additional requirements and make special conditions in respect of the H Share Listing.

Other legal and regulatory provisions

Upon the H Share Listing, the provisions of the SFO, the Takeovers Code and such other relevant ordinances and regulations as may be applicable to companies listed on the Hong Kong Stock Exchange will apply to our Company.

Securities arbitration rules

Our Articles of Association provide that certain claims arising from our Articles of Association or the Company Law shall be arbitrated at either the China International Economic and Trade Arbitration Commission or the Hong Kong International Arbitration Centre in accordance with their respective rules. The securities arbitration rules of the Hong Kong International Arbitration Centre contain provisions allowing an arbitral tribunal to conduct a hearing in Shenzhen for cases involving the affairs of companies incorporated in the PRC and listed on the Hong Kong Stock Exchange so that PRC parties and witnesses may attend. Where any party applies for a hearing to take place in Shenzhen, the tribunal shall, where satisfied that such application is based on bona fide grounds, order the hearing to take place in Shenzhen conditional upon all parties, including witnesses and the arbitrators being permitted to enter Shenzhen for the purpose of the hearing. Where a party (other than a PRC party) or any of its witnesses or any arbitrator is not permitted to enter Shenzhen, then the tribunal shall order that the hearing be conducted in any practicable manner, including the use of electronic communications. For the purpose of the securities arbitration rules, a "PRC party" means a party domiciled in the PRC other than territories of Hong Kong, Macau and Taiwan.

The appendix contains a summary of the principal provisions of the Articles of Association, which was adopted by the Company on 16 December 2013, and will become effective from the date on which our H Shares on Hong Kong Stock Exchange. The purpose of this appendix is to provide investors with an overview of the Articles of Association; therefore, it does not contain all the information that may be important to investors. As stated in "Appendix VII — Documents Delivered to the Registrar of Companies and Available for Inspection" to this [**REDACTED**]*, a copy of the Articles of Association is available for inspection.*

1 DIRECTORS AND BOARD OF DIRECTORS

(a) Power to allot and issue shares

There is no provision in the Articles of Association empowering the Board to allot or issue shares. In order to allot or issue shares, the Board shall prepare a proposal for approval by shareholders in general meeting by way of special resolution. Any such allotment or issue must be conducted in accordance with the procedures stipulated by relevant laws and administrative regulations.

(b) Power to dispose of the Company's or any of its subsidiaries' assets

Upon the Board dispose the fixed assets, such as the value of the consideration for the proposed disposition, and where any fixed assets of the Company have been disposed of in the period of four months immediately preceding the proposed disposition, the amount or value of the consideration for any such disposition, exceeds 33% of the value of the Company's fixed assets as shown in the last audited balance sheet placed before the shareholders in general meeting.

The above disposition of fixed assets includes an act involving a transfer of an interest in property other than by way of security. The validity of a disposition on fixed assets made by the Company shall not be affected by any breach of the above provision.

(c) Compensation or payments for loss of office

In the contract for emoluments entered into by the Company with a Director or Supervisor, when the Company is acquired, provisions shall be made for the right of the Director or Supervisor to receive, after obtaining the prior consent of shareholders in general meeting, compensation or other payments for loss of office or for his retirement from office. A takeover of the Company in the Articles of Association means:

(i) an offer made to all shareholders of the Company; or

(ii) an offer is made such that the offeror will become the Controlling Shareholder of the Company.

If the relevant Director or Supervisor does not comply with above provisions, any sum received by the Director or Supervisor on account of the payment shall belong to those persons who have sold their shares as a result of the offer, and the expenses incurred by the Director or Supervisor in distributing that sum pro rata among those persons shall be borne by him and not deducted from the sum distributed.

(d) Loans to Directors, Supervisors and other officers

The Company is prohibited from directly or indirectly making any loan or guarantee in connection with a loan to its Directors, Supervisors, general manager and other senior officers. The Company is also prohibited from providing any loan or guarantee in connection with a loan made by any connected person to above mentioned parties.

The following transactions are not subject to the foregoing prohibition:

(i) the provision of a loan or a guarantee for a loan by the Company to a company which is a subsidiary of the Company;

(ii) the provision of a loan or a guarantee for a loan or any other funds by the Company to any of its Directors, Supervisors, general manager and other senior officer to meet expenditure incurred or to be incurred by him for the purposes of the Company or for the purpose of enabling him to perform properly, in accordance with an employment contract approved by the shareholders' general meeting his duties; and

(iii) if the normal business scope of the Company includes providing loans or guarantee, the Company may make a loan to or provide a guarantee in connection with a loan by another person to any of its Directors, Supervisors, general manager and other senior officers and other connected persons on normal commercial terms.

(e) Giving of financial assistance to purchase the shares of the Company or any of its subsidiaries

Neither the Company nor any of its subsidiaries shall at any time or in any manner provide financial assistance to a person who acquires or is proposing to acquire shares in the Company. The said person includes any person who has directly or indirectly incurred a liability as a result of the acquisition of shares in the Company; and

Neither the Company nor any of its subsidiaries shall at any time or in any manner provide financial assistance to the person mentioned in the foregoing paragraph for the purposes of reducing or discharging his liabilities.

The following transactions are not prohibited in the Articles of Association:

(i) the provision of financial assistance where the Company's principal purpose for giving that assistance is genuinely for the Company's interests and not for the purpose of acquiring the Company's shares or the provision of such assistance is incidental to some broader objective of the Company;

(ii) a distribution of the Company's assets by way of dividend lawfully declared;

(iii) a distribution of dividends by way of bonus shares;

(iv) a reduction of share capital, repurchase of shares of the Company or a reorganisation of the share capital effected in compliance with the Articles of Association;

(v) the provision of loans by the Company in the ordinary course of its business, provided that the Company's net assets are not thereby reduced or, to the extent that those assets are reduced, the assistance is provided out of distributable profits; and

(vi) the Company's contribution to employees' share schemes provided that the Company's net assets are not thereby reduced or to the extent that those assets are thereby reduced, the assistance is provided out of distributable profits.

"Financial assistance" in the Articles of Association includes, without limitation to:

(i) assistance given by way of gift;

(ii) assistance given by way of guarantee (including the provision of any undertaking or property to secure the performance of obligations by the obligor) or indemnity, (other than an indemnity in respect of the Company's own default) or by way of release or waiver;

(iii) assistance given by way of a loan; or entering into an agreement under which the Company needs to perform its obligations ahead of the other contracting parties; or entering into an agreement for the change of contracting parties or the assignment of rights arising under such loan or such agreement; or

(iv) financial assistance given by the Company in any other manner when the Company is insolvent or has no net assets or where its net assets would thereby be reduced to a material extent; and

"Incurring a liability" in the Articles of Association includes incurring a liability by making an agreement or arrangement or by changing one's financial position by any other means, whether enforceable or unenforceable, and whether made on one's own account or on the account of any other person.

(f) Disclosure of interests in and voting on contracts with the Company

Where a Director, Supervisor, general manager and other senior officer is, directly or indirectly, materially interested in a contract, transaction or arrangement or proposed contract, transaction or arrangement with the Company other than his contract of service, he shall declare the nature and extent of his interest to the Board at the earliest opportunity, whether or not the contract, transaction or arrangement or proposal is otherwise subject to the approval of the Board under normal circumstances.

In the event that a director is connected to companies (it means that the director acts as a director or senior management of the counterparty, or can exercise direct or indirect control over a legal person entity of the counterparty, or acts as a director or senior management in a legal person entity under direct or indirect control of the counterparty) associated with matters to be resolved at the board meeting, such director shall not exercise his voting rights on such resolution, nor shall he vote on behalf of other directors and shall abstain from voting. The board meeting may be convened with a majority of the non-connected directors. Resolutions shall be approved by a majority of non-connected directors at the board meeting. If the number of non-connected directors attending the Board meeting is less than three, such matters shall be submitted to the Shareholder's general meetings for approval.

Unless otherwise provided by the Hong Kong Listing Rules or exception permitted by Hong Kong Stock Exchange, a Director shall not be entitled to vote on (nor shall be counted in the quorum in relation to) any resolution of the board in respect of any contract, transaction or arrangement in which he or any of his associates as defined in the applicable Hong Kong Listing Rules in effect from time to time has any material interest or any other relevant proposals.

Unless the interested Director, Supervisor, general manager or other senior officer has disclosed his interest to the Board in accordance with the Articles of Association and the contract, transaction or arrangement has been approved by the Board at a meeting at which the interested Director, Supervisor, general manager or other senior officer is not counted in the quorum and has refrained from voting, such contract, transaction or arrangement in which a Director, Supervisor, general manager or other senior officer is materially interested can be rescinded at the Company's option, except as against a bona fide party thereto acting without notice of the breach of duty by the Director, Supervisor, general manager or senior officer concerned.

A Director, Supervisor, general manager and other senior officer of the Company is deemed to be interested in any contract, transaction or arrangement in which a connected person of that Director, Supervisor, general manager and senior officer is interested.

(g) Remuneration

There is no requirement for our Directors to hold the shares of the Company.

The Company shall, with the prior approval of shareholders in general meeting, enter into a contract in writing with each Director or Supervisor for emoluments in respect of their services. The said emoluments include:

(i) emoluments in respect of their services as Director, Supervisor or senior officer of the Company;

(ii) emoluments in respect of their services as Director, Supervisor or senior officer of any subsidiary of the Company;

(iii) emoluments otherwise in connection with services for the management of the Company or any subsidiary thereof; and

(iv) payments by way of compensation for loss of office, or in connection with their retirement from office.

Except under a contract entered into in relation to the above, no proceedings shall be brought by a Director or Supervisor against the Company for anything due to him in respect of the matters specified above.

(h) Retirement, appointment and removal

Under any of the following circumstances, the following persons may not serve as a Director, Supervisor, general manager or other senior officer of the Company:

(i) an individual who has no civil capacity or has restricted civil capacity;

(ii) persons who have committed the offences of corruption, bribery, trespass of property, misappropriation of property or damaging the social economic order, and have been penalised due to the above offences, where less than five years have elapsed since the date of the completion of implementation of the penalty or persons who have committed crimes and have been deprived of their political rights due to such crimes, where less than five years have elapsed since the date of the completion of the implementation of such deprivation;

(iii) persons who were former directors, factory chiefs or managers of a company or enterprise which has become insolvent and has been liquidated as a result of mismanagement and were personally liable for the insolvency of such company or enterprise, where less than three years have elapsed since the date of the completion of the insolvency and liquidation of such company or enterprise;

(iv) persons who were legal representatives of a company or enterprise which had its business license revoked due to a violation of the law and who were personally liable, where less than three years have elapsed since the date of the revocation of such business license;

(v) persons who have failed to pay a relatively large debt when due and outstanding;

(vi) persons who is being investigated by prosecutor for violating the criminal law, and the file has not been closed;

(vii) persons who is prohibited to undertake the leadership for enterprises by laws and administrative regulations;

(viii) persons who is not a natural person;

(ix) persons who is ruled as having violated the relevant regulations of securities by the relevant authorities in relation to fraud or dishonest conduct in the past five years; or

(x) prescribed case that required by laws and regulation of listing place of the securities of the Company.

(i) Borrowing powers

Subject to compliance with the laws and administrative regulations of the State, our Company has the right to raise funds and obtain loans, including (but not limited to) issuing bonds, mortgaging or pledging all or part of the properties of our Company, as well as exercising other rights approved by the laws and administrative regulations of the State, provided that such action shall not undermine or revoke the rights of any shareholder.

The Articles of Association does not include any special provision regarding the manner in which the Directors may exercise the right to obtain loans or the manner in which such a right is created except (a) the provision regarding the power of the Directors to develop schemes for our Company to issue bonds, and (b) the provision that the bond issue must be approved by the Shareholders through a special resolution at the general Shareholders' meeting.

(j) Liabilities

The Directors, Supervisors, general manager and other senior officers of the Company should abide by his fiduciary principles in the discharge of his duties, and not to place himself in a position where his duties and his own interests may conflict. Such principles include (but are not limited to) the performance of the following:

(i) to act honestly in the best interests of the Company;

(ii) to exercise the powers vested in him and not to exceed the scope thereof;

(iii) to exercise the discretion vested in him personally and not allow himself to act under the direction of another;

(iv) unless and to the extent permitted by laws and administrative regulations or by the shareholders, having been informed of the relevant facts, at a general meeting, not to delegate the exercise of his discretion;

(v) to treat shareholders of the same class equally and to treat shareholders of different classes fairly;

(vi) except in accordance with the Articles of Association or with the informed consent of shareholders in general meeting, not to enter into any contract, transaction or arrangement with the Company;

(vii) not without the approval of the shareholders, having been informed of the relevant facts, at a general meeting, to use the Company's assets in any way for his personal benefit;

(viii) not to use his position to accept bribes or other illegal income and not to expropriate in any manner the Company's assets, including (without limitation) opportunities beneficial to the Company;

(ix) not without the informed consent of shareholders in general meeting, to accept commissions in connection with the Company's transactions;

(x) to abide by the Articles of Association, faithfully perform his duties and protect the interests of the Company, and not to use his position and powers in the Company to seek personal gain;

(xi) not to compete with the Company in any way except with the informed consent of shareholders given in general meeting;

(xii) not to misappropriate the Company's funds or to lend the Company's funds to any person in violation of the provisions, not to open any bank account in his own name or other names for the deposit of the Company's assets, not to provide security for debt of a shareholder of the Company or any other individuals in violation of the provisions; and

(xiii) without the informed consent of shareholders in general meeting, not to disclose confidential information of the Company acquired while in office and not to use such information other than in furtherance of the interests of the Company, save and except that disclosure of information to a court or a governmental authority is permitted where:

(1) the disclosure is made under law;

(2) there is a requirement to the public interests to disclose;

(3) the personal interests of the Director, Supervisor, general manager and other senior officer require disclosure.

In addition to any rights and remedies provided for in relevant laws and administrative regulations, the Company is entitled to adopt the following measures where a Director, Supervisor, general manager and other senior officer is in breach of his duties owed to the Company:

(i) to claim against such a Director, Supervisor, general manager and other senior officer for losses incurred by the Company as a result of his breach;

(ii) to rescind any contract or transaction entered into between the Company and the Director, Supervisor, general manager and other senior officer and a third party where such third party has knowledge or should have had knowledge of the breach of duty;

(iii) to account for the profits made by the Director, Supervisor, general manager or other senior officer as a result of his breach;

(iv) to recover any monies received by the Director, Supervisor, general manager and other senior officer which should have been received by the Company, including, without limitation, commissions;

(v) to demand the return of the interest earned or which may have been earned on any monies by the Director, Supervisor, general manager and other senior officer which should have been received by the Company.

A Director, Supervisor, general manager and other senior officer of the Company shall not direct persons or institution (the "relevant parties") connected to him to do what he is not permitted to do. A person is connected to a Director, Supervisor, general manager and other senior officer if he is:

(i) the spouse or minor child of such a Director, Supervisor, general manager and other senior officer;

(ii) a trustee for such a Director, Supervisor, general manager and other senior officer or any per referred to in (i) above;

(iii) a partner of such a Director, Supervisor, general manager and other senior officer or of any person referred to in (i) and (ii);

(iv) a company in which that a Director, Supervisor, general manager and other senior officer, alone or jointly with the persons referred to in above (i), (ii) and (iii) or with any of other Directors, Supervisors, general manager or other senior officers of the Company, have de facto control;

(v) a Director, Supervisor, general manager and other senior officer of a company referred to in (iv) above; or

(vi) any other person that is deemed to be connected to such Director, Supervisor, general manager and other senior officer according to Hong Kong Listing Rules.

The fiduciary duties of a Director, Supervisor, general manager and other senior officer of the Company do not necessarily cease with the termination of his tenure. The duty of confidentiality in relation to trade secrets of the Company survives the termination of his term of office. Other duties may continue for such period as fairness may require depending on the time lapse between the termination of his term of office and the occurrence of the matter in question and the circumstances and the terms under which the relationships between him and the Company are terminated.

2 MODIFICATION OF THE ARTICLES OF ASSOCIATION

The Company may, in accordance with provisions contained in relevant laws, administrative regulations and the Articles of Association, amend its Articles of Association. The Articles of Association shall be amended at the general meeting of shareholders by way of resolutions. The amendments which are required to be approved by the supervising authority shall be approved by the original approval authority; and registration shall be made by the Company in accordance with the law if required.

3 SPECIAL VOTING PROCEDURES OF CLASSIFIED SHAREHOLDERS

Any Shareholder who holds different types of Shares is a classified Shareholder. Any plan of our Company to change or abolish the rights of a classified Shareholder is subject to the approval of the general Shareholders' meeting in the form of a special resolution and the approval of the affected classified Shareholders at a separately convened Shareholders' meeting in accordance with the Articles 85 to 89 before it can be implemented.

The rights of a classified Shareholder shall be viewed as changed or abolished under any of the following circumstances:

(i) Increase or reduce the number of the classified Shares, or increase/reduce the number of classified Shares with equal or more voting rights, distribution rights and other privileges than this type of classified Shares, other than the case than upon receiving the approval from securities regulatory authorities of the State Council, domestic shareholders of the Company may transfer to overseas investors and list and trade their shares oversea;

(ii) Convert all or part of the classified Shares into other types or convert another type of Shares, partly or wholly, into this type of classified Shares or grant such conversion right;

(iii) Cancel or reduce the right of the classified Shares to obtain dividends generated or cumulative dividends;

(iv) Reduce or cancel the right of the classified Shares to receive dividends on a priority basis or the priority right to receive property distribution in the liquidation of our Company;

(v) Increase, cancel or reduce the right of the classified Shares to convert Share rights, options rights, voting rights, transfer rights, and pre-emptive rights, or the right to obtain the securities of our Company;

(vi) Cancel or reduce the right of the classified Shares to receive funds payable of our Company in specified currencies;

(vii) Create new classified Shares entitled to equal or more voting rights, distribution rights, or other privileges than the classified Shares;

(viii) Impose restrictions on the transfer or ownership of the classified Shares or increase such restrictions;

(ix) Issue subscription or conversion rights for this or other classified Shares;

(x) Increase the rights and privileges of other types of Shares;

(xi) The restructuring plan of our Company may constitute different types of Shareholders to assume responsibilities disproportionately; and

(xii) Amend or abolish clauses stipulated in our Articles of Association.

Whether or not the affected classified Shareholders have voting rights at the general Shareholders' meeting, in the event of matters described above from (ii) through (viii), (xi) and (xii), they have voting rights at the classified Shareholders' meeting, but the Shareholders that have interests at stake shall have no voting rights at the classified Shareholders' meeting.

The resolution of the classified Shareholders' meeting shall be passed by votes representing more than two thirds of Shareholders with voting rights attending the classified Shareholders' meeting.

When convening a classified Shareholders' meeting, 45 days before the meeting is convened, our Company shall send a written notice to inform all registered holders of the classified Shares on matters to be deliberated at the meeting, as well as the date and venue of the meeting. Shareholders planning to attend the meeting shall send our Company a written reply concerning attendance at the meeting 20 days before the meeting.

In the event that the number of shares with voting power represented by Shareholders planning to attend the meeting accounts for more than one half of the total number of said classified Shares with voting power at the meeting, our Company may convene a classified Shareholders' meeting. If this number is not reached, our Company shall again inform the Shareholders of the matters to be deliberated as well as the date and venue of the meeting within five days in the form of an announcement and our Company may convene a classified Shareholders' meeting once the announcement is delivered.

Apart from the holders of other classified Shares, the holders of Domestic Shares and the holders of overseas listed foreign Shares are considered as different classified Shareholders.

The special procedures for voting by the classified Shareholders shall not apply under the following circumstances:

(i) Upon the approval by a special resolution at the general Shareholders' meeting, our Company either separately or concurrently issues Domestic Shares and overseas-listed foreign shares once every 12 months, and the number of those shares to be issued shall not account for more than 20% of each of its outstanding shares;

(ii) The plan to issue Domestic Shares and overseas listed foreign Shares upon the establishment of our Company is completed within 15 months of the date of approval by the securities regulatory agency of the State Council;

(iii) Upon the approval by the securities regulatory authorities of the State Council, our Domestic Shareholders transfers the Shares held to overseas shareholders and become listed or traded on an overseas stock exchange.

4 SPECIAL RESOLUTIONS NEEDED TO BE ADOPTED BY MAJORITY VOTE

The resolutions of the Shareholders' meeting are categorised as ordinary resolutions and special resolutions. An ordinary resolution can be adopted by an half of the votes held by the Shareholders (including proxies) attending the general Shareholders' meeting.

A special resolution can be adopted by a two-thirds majority of the votes held by the Shareholders (including proxies) attending the general Shareholders' meeting.

5 VOTING RIGHTS

When voting at the general shareholders' meeting, the shareholder (including proxy) may exercise his or her voting rights in accordance with the number of shares with voting power held with each share representing one vote, while the Share held by the Company is not entitled to voting rights.

According to applicable law and regulation and the Hong Kong Listing Rules of stock exchange where the securities of the Company are listed, while any shareholder is required to abstain from voting on any particular resolution or restricted to voting only for or against any particular resolution, any vote declared by the said shareholder or proxy thereof that is contrary to the said provision or restriction shall not be counted in the voting results.

6 GENERAL SHAREHOLDERS' MEETINGS

The general shareholders' meetings are divided into annual general shareholders' meetings and extraordinary general meetings. General shareholders' meetings are called by the Board of Directors. The annual general shareholders' meeting shall be convened once a year and be held within six months of the end of the previous fiscal year.

7 ACCOUNTING AND AUDITS

(a) Financial and accounting policies

Our Company shall develop its financial accounting policies pursuant to PRC laws, administrative regulations, as well as accounting standards developed by the competent department in charge of finance under the State Council.

In addition to relevant laws, regulation and Hong Kong Listing Rules where the shares of the Company are listed, as well as otherwise required by the Article of the Association, the Board of Directors shall submit the financial reports of our Company, as required by the laws, administrative regulations or directives promulgated by local governments and competent authorities to be prepared by our Company, at every annual Shareholders' meetings.

Our Company shall make its financial reports available for inspection by the Shareholders 20 days before the annual general Shareholders' meeting is convened. Each Shareholder is entitled to obtain one copy of the financial report.

In addition to relevant laws, regulation and Hong Kong Listing Rules where the shares of the Company are listed, as well as otherwise required by the Article of the Association, the Company shall send the aforesaid reports to each of the holders of overseas-listed foreign Shares by postage-paid mail at least 21 days before the annual general Shareholders' meeting is convened and the recipient's address shall be the address as shown in the register of Shareholders.

The Company's interim results or financial information published or disclosed by our Company shall at the same time be prepared in accordance with PRC accounting standards, regulations, international accounting standards as well as the accounting standards of the overseas area in which the Shares are listed. If there is any material difference between the financial statements prepared respectively in accordance with the two accounting standards, such difference shall be stated and explained in the financial statements. As to the distribution of after-tax profits of our Company in a fiscal year, the after-tax profits indicated on the two financial reports, whichever is lower, shall prevail.

The Company shall not keep any accounting books other than those specified by law.

(b) Appointment and Removal of Accountants

Our Company shall appoint an independent accounting firm that meets appropriate requirements of the state to be responsible for auditing its annual report and other financial reports. The first accounting firm of Company whose term will be terminated at the end of the first annual general meeting should be appointed by the founding meeting prior to the first annual general meeting. The term of the accounting firm appointed by our Company shall start at the close of the annual general meeting and continue until the close of the next annual general meeting.

The shareholders in general meeting may by ordinary resolution remove an accounting firm before the expiry of its term of office, notwithstanding the stipulations in the terms of the contract between the Company and the firm, but without prejudice to the firm's right to claim, if any, for damages in respect of such removal.

The remuneration of an accounting firm or the manner in which such remuneration is determined shall be decided by the shareholders in general meeting. The remuneration of an accountant firm appointed by the Board shall be decided by the Board.

The Company's appointment of, removal of and non-reappointment of an accounting firm is subject to the resolution of the Shareholders in general meeting and shall be reported to the competent securities department of the State Council for filing.

Prior to the removal or the non-renewal of the appointment of the accounting firm, an advance notice of such removal or non-renewal shall be given to the accounting firm, and the accounting shall be entitled to make a statement in the general meeting. In the event that the accounting firm requests to resign, it shall declare to the shareholders' general meeting whether there is any impropriety on the part of the Company.

The accounting firm may resign its office by depositing at the Company's legal address a resignation notice which shall become effective from the date of such deposit or on such later date as may be stipulated in such notice. Such notice shall include the following statements:

(i) its resignation does not include any statement that should be disclosed to the Shareholders or creditors of our Company; or

(ii) any statement that should be disclosed.

Where a notice is deposited under the preceding paragraph, the Company shall within 14 days send a copy of the notice to the relevant governing authority. If the notice contains a statement mentioned in (ii) of the preceding paragraph, a copy of such statement shall be placed at the Company for shareholders' inspection. The Company shall send a copy of such statement by prepaid mail to every shareholder entitled to obtain a copy of the issuer's financial statements at the address registered in the register of shareholders.

Where the accounting firm's notice of resignation contains a statement above-mentioned in (ii) which should be brought to the notice of the shareholders or creditors of the Company, it may require the Board to convene a shareholders' extraordinary general meeting for the purpose of receiving an explanation of the circumstances connected with its resignation.

8 NOTIFICATION AND AGENDA OF GENERAL SHAREHOLDERS' MEETINGS

The shareholders' general meeting is the organ of authority of the Company and shall exercise its functions and powers in accordance with law. The Company shall not enter into any contract with any person other than a Director, Supervisor, general manager or other senior management personnel whereby such person is entrusted with the management of the whole or a material part of business of the Company without the prior approval of shareholders in general meeting.

Under any of the following circumstances, the Board shall convene an extraordinary general meeting within two months of the occurrence of any one of the following events:

(i) The number of Directors is the number specified in the Company Law or less than two thirds of the number required in the Articles of Association;

(ii) The uncovered losses of our Company reach one-third of its paid-up share capital;

(iii) Shareholders holding 10% or more of the Company's issued and outstanding shares carrying voting rights requests in writing the convening of an extraordinary general meeting;

(iv) The Board considers necessary or the supervisory committee or more than two independent non-executive Directors propose convening an extraordinary general meeting;

(v) Securities regulatory departments request convening an extraordinary general meeting; or

(vi) Other situations stipulated by the Articles of Association.

Numbers of share held by shareholders stated above in paragraph (iii) is calculated on the date on which the shareholder requests in writing the convening of an extraordinary general meeting. A written request or the number of copies with the identical form and substance should be duly signed and be submitted to the Board of directors a clear agenda and proposal.

Unless otherwise specified in relevant laws, regulations, the listing rules of the stock exchange where the shares of the Company listed and the Articles of Association, to convene a shareholders' general meeting, the Company shall give written notices 45 days before the date of the meeting, informing all registered shareholders of the matters proposed to be considered at the meeting and the date and place of the meeting. Shareholders who intend to attend the meeting shall return the written replies of attendance to the Company to be received by the Company 20 days before the date of the meeting. For calculating the period of notice, the date of issuing the notice and the date of meeting shall not be included. In relation to the notice issued, the issuing date is the date which the Company of the share registrar appointed by the Company delivers the notice to the postal office.

When the Company convenes a general meeting, the shareholders who hold 3% or more of the Company's shares carrying voting rights are entitled to submit new proposals in writing to the Company 10 days before the general meeting. The conveners of such meeting shall within two days upon receiving such proposal give supplemental notice to other shareholders, and place matters in the proposal and within scope of functions of the general meeting on the agenda of such meeting for shareholders' consideration. If otherwise specified in the listing rules of the stock exchange where the shares of the Company listed, it shall scarify the requirement at the same time.

A notice of a general meeting shall comply with the following requirements:

(i) shall be in writing, unless otherwise specified in relevant laws, regulations, the listing rules of the stock exchange where the shares of the Company listed and the Articles of Association;

(ii) shall specify the place, the date and the time of the meeting;

(iii) shall state the matters to be discussed at the meeting;

(iv) provides such information and explanation as are necessary for the shareholders to exercise an informed decision on the proposals before them, including (but not limited to) where a proposal is made to merger, to repurchase shares, to reorganize the share capital, or to restructure the Company in any other way, the terms and the contracts of the proposed transaction should be provided in detail, if any, and the cause and effect of such proposal should be properly explained;

(v) contains a disclosure of the nature and extent, of the material interests, if any, of any Director, supervisor, general manager, deputy general manager and other member of the senior management in the matter(s) to be discussed and the effect on them in their capacities as shareholders in so far as it is different from the effect on other shareholders of the same class;

(vi) contains the full text of any special resolutions proposed to be adopted at the meeting;

(vii) contains conspicuously a statement that a shareholder entitled to attend and vote is entitled to appoint one or more proxies to attend and vote on behalf of him and that proxy need not be a shareholder;

(viii) specifies the registration date for determination of eligibility of shareholders for attending the shareholders general meeting;

(ix) specifies the time and place for lodging proxy forms for the relevant meeting; and

(x) specifies names and contract information of the persons for meeting enquiry.

Unless otherwise specified in relevant laws, regulations, the listing rules of the stock exchange where the shares of the Company listed and the Articles of Association, notices, information or written statement of shareholders' general meetings shall be served on the shareholders (whether or not they are entitled to vote at the meeting) by personal delivery or prepaid mail to their addresses registered in the register of shareholders. For holders of Domestic Shares, notice of shareholders' general meeting may also be made by way of public announcement.

The public announcement referred to in the preceding provision shall be published in one or more newspapers designated by the securities regulatory authority of the State Council within the interval between 45 days and 50 days before the date of the meeting. After the publication of such notice, all holders of Domestic Shares shall be deemed to have received the notice of the relevant general meeting.

The matters which require the sanction of an ordinary resolution at a shareholders' general meeting shall include:

(i) working reports of the Board and the supervisory committee;

(ii) plans made by the Board on profit distribution and losses make-up;

(iii) the nomination and removal of the members of the Board and supervisory committee, their remunerations and methods of payment;

(iv) the annual budget, final accounts report, the balance sheet, income statement and other financial statements;

(v) matters other than those which shall be passed by special resolution as stipulated by laws, administrative regulations, the listing rules of the stock exchange where the securities of the Company is listed or the Articles of Association.

The matters which require the sanction of a special resolution at a shareholders' general meeting include:

(i) increasing or decreasing the capital of the Company, and issuing any kinds of shares, warrants or other similar securities;

(ii) issuing corporate bonds;

(iii) separation, merger, dissolving and liquidation of the Company;

(iv) amending the Articles of Association;

(v) other matters passed by ordinary resolutions in the general meeting, considered to affect the Company in material aspects and needed to be passed by special resolutions;

(vi) other matters needed to be passed by special resolutions as required by the Articles of Association and the Hong Kong Listing Rules; and

(vii) Convening of an extraordinary general meeting or a class meeting at the request of shareholder or supervisory committee shall be proceeded in accordance with the procedures set forth below:

(1) two or more shareholders or supervisory committee individually or jointly holding a total of 10% or more of the shares carrying the right to vote at the meeting sought to be held may sign one or more written requests of identical form and substance requesting the Board to convene an extraordinary general meeting or a class meeting and stating the subject of the meeting. The Board shall convene an extraordinary general meeting or a class meeting as soon as possible after having received the above-mentioned written request. The shareholding referred to above shall be calculated as of the day on which the written request is made.

(2) if the Board fails to issue a notice of such meeting within 30 days after having received the above-mentioned written notice, the shareholders who made such request may, on their discretion, convene the meeting within four months after the Board had received the request. The procedures according to which they convene such meeting shall, to the extent possible, be identical to the procedures according to which general meetings are to be convened by the Board.

Where shareholders or supervisory committee convene and hold a meeting due to the failure of the board to hold such meeting pursuant to a request as mentioned above, the reasonable expenses incurred by such meetings shall be borne by the Company and shall be deducted from the sums owed by the Company to the directors who neglect their duties. General meetings shall be convened by the board and presided over by the chairman. Where the chairman is unable to or fails to do so, the vice chairman shall preside over such a meeting; and where the vice chairman is unable to or fails to do so, a director jointly elected by more than half of the directors shall preside over it. Where the board is unable to perform or fails to perform the duty of convening a general meeting, the supervisory committee shall convene and preside over such a meeting in a timely manner; and where the supervisory committee fails to convene and preside over the meeting, the shareholder(s) individually or in aggregate holding more than 10% of the Company's shares for more than 90 consecutive days may convene and preside over the meeting on his or their own accordingly.

9 TRANSFERS OF SHARES

Unless otherwise provided by laws and administrative regulations, shares of the Company shall be free from any restriction on the right of transfer and shall also be free from all liens. All the fully paid up overseas listed foreign shares listed in Hong Kong shall be exempted from any restriction on the right of transfer pursuant to the Articles of Association. However, the Board may refuse to recognise any instrument of transfer without giving any reason, unless:

(i) a fee in accordance with the cost standard specified by the Hong Kong Listing Rules has been paid to the Company for registration of any transfer or any other document which is related to or will affect ownership of the shares;

(ii) The transfer documents only involve overseas listed foreign Shares listed in Hong Kong;

(iii) the stamp duty chargeable on the instrument of transfer has been paid in accordance with the law of Hong Kong;

(iv) the relevant share certificate and, upon the other reasonable request of the Board, any evidence in relation to the right of the transferor to transfer the shares has been submitted;

(v) if it is intended to transfer the shares to joint owners, then the maximum number of joint owners shall not exceed four;

(vi) our Company does not have any lien on the relevant Shares; and

(vii) no transfer shall be made to minors or persons of unsound mind or under other legal disability.

If the Board refuses to register a transfer, the Company will within two months after the date on which the application of transfer was duly made to the Company send to the transferor and transferee notice of the refusal.

The Directors, supervisors, and senior management personnel shall report to the Company on a regular basis as to the Company's shares held by them and any change thereof and no one shall transfer more than 25% of the total shares of the Company that he or she holds each year during his or her term of office; the shares held by such person shall not be transferred within one year of the date on which the Company's H shares are listed and commence trading; no one shall transfer the shares of the Company that he or she holds within half an year after leaving his or her respective offices. The Company shall not accept those shares of the Company as the subject of a pledge.

10 RIGHTS OF OUR COMPANY TO REPURCHASE OUR OUTSTANDING ISSUED SHARES

Under any of the following circumstances, our Company may repurchase our outstanding issued Shares pursuant to the Articles of Association and approved by the competent authorities of the state.

(i) Cancellation of the shares to reduce our Company's share capital;

(ii) Merger with other companies which hold our Company's Shares;

(iii) Granting Shares to the staff of our Company as incentives;

(iv) Repurchasing the Shares from Shareholders who vote against any resolutions adopted at the general Shareholders' meeting concerning the merger and division of our Company;

(v) Other circumstances as required by the laws and administrative regulations. Upon repurchase of shares according to paragraph (i), (ii) and (iv) above, the Company shall cancel those shares, apply to register the change of the registered capital with original companies' registration authorities within the period required by laws and administrative regulations, and make relevant announcement. Upon repurchase of shares according to paragraph (iii), the company shall transfer the shares to its employees within the period required by laws and administrative regulations.

The aggregate par value of the cancelled shares should be reduced from the Company's registered capital. Our Company, with approval by the relevant competent authorities of the state, may repurchase Shares in any of the following ways:

(i) Making an offer of repurchase to all of its Shareholders on a pro-rata basis;

(ii) Repurchasing of Shares through public trading on the securities exchange;

(iii) Repurchasing Shares by an agreement outside a stock exchange; or

(iv) In other ways pursuant to the laws and administrative regulations and approved by the competent authorities.

Unless the Company is in the course of liquidation, it must comply with the following provisions in respect of repurchase of its outstanding shares:

(i) where the Company repurchases its shares at par value, payment shall be made out of book balance of the distributable profits of the Company or out of proceeds of a fresh issue of shares made for that purpose;

(ii) where the Company repurchases its shares at a premium to their par value, payment up to the par value shall be made out of the book balance of distributable profits of the Company or out of the proceeds of a fresh issue of shares made for that purpose. Payment of the portion in excess of the par value shall be effected as follows:

(1) if the shares being repurchased were issued at par value, payment shall be made out of the book balance of the distributable profits of the Company;

(2) if the shares being repurchased were issued at a premium to their par value, payment shall be made out of the book balance of the distributable profits of the Company or out of the proceeds of a fresh issue of shares made for that purpose, provided that the amount paid out of the proceeds of the fresh issue shall not exceed the aggregate of premiums received by the Company on the issue of the shares repurchased nor the current amount of the Company's share premium account (or capital reserve fund account) (including the premiums on the fresh issue);

(iii) payment by the Company in consideration of the following shall be made out of the Company's distributable profits:

(1) acquisition of rights to repurchase shares of the Company;

(2) variation of any contract for repurchasing shares of the Company;

(3) release of its obligation under any contract for repurchasing its shares;

(iv) after the Company's registered capital has been reduced by the total par value of the cancelled shares in accordance with the relevant provisions, the amount deducted from the distributable profits of the Company for payment of the par value portion of the shares repurchased shall be transferred to the Company's share premium account (or capital reserve fund account).

Where the Company repurchases its shares through an off-market agreement, it shall seek prior approval at general meeting in accordance with the Articles of Association. The Company may release or amend a contract so entered into by the Company or waive its rights thereunder with prior approval at general meeting obtained in the same manner.

The contract to repurchase shares as referred to in the above paragraph includes, but not limited to, an agreement to become obliged to repurchase or to acquire the right to repurchase shares.

The Company shall not assign a contract for repurchasing its shares or any of its right thereunder.

Where the Company has the right to repurchase redeemable shares: in case of a repurchase other than through the market or by tender, it shall not exceed a maximum price; and in case of a repurchase by tender, tenders shall be made available to all shareholders alike.

11 DIVIDENDS AND METHODS OF DISTRIBUTION

The Company may distribute dividends in the following manners (or both of them):

(1) cash;

(2) shares.

The Company shall calculate, declare and pay dividends and other amounts which are payable to holders of Domestic Shares in Renminbi within three months after the date of declaration. The Company shall calculate and declare dividends and other payments which are payable to holders of overseas listed foreign shares in Renminbi, and shall pay such amounts in foreign currency within three months after the date of declaration. The exchange rate shall be the average closing rate for the relevant foreign currency announced by the People's Bank of China five working days prior to the announcement of payment of dividend and other amounts. The Company shall pay cash dividends and other amounts to holders of overseas listed foreign shares in accordance with the relevant foreign exchange control regulations of the State. The distribution of dividend should be under the authorisation of the shareholders' general meeting to the Board by ordinary resolutions.

The Company shall appoint receiving agents for holders of the Overseas Listed Foreign Shares. Such receiving agents shall receive dividends which have been declared by the Company and all other amounts which the Company should pay to holders of Overseas Listed Foreign Shares on such shareholders' behalf. The receiving agents appointed by the Company shall meet the relevant requirements of the laws of the place at which the stock exchange on which the Company's shares are listed or the relevant regulations of such stock exchange. The receiving agents appointed for holders of Overseas Listed Foreign Shares listed in Hong Kong Stock Exchange shall each be a company registered as a trust company under the Trustee Ordinance of Hong Kong.

12 SHAREHOLDER PROXIES

Any shareholder entitled to attend and vote at the general meeting shall have the right to appoint one or several persons (who may not be shareholders) to act as his proxy to attend and vote at the meeting on his behalf. The proxy so appointed by the shareholder may, pursuant to the instructions of the shareholder, exercise the following rights:

(i) the right which the shareholder has to speak at the general meeting;

(ii) the right to demand a poll alone or jointly with others;

(iii) the right to exercise voting rights on a show of hands or on a poll, unless otherwise specified in applicable Hong Kong Listing Rules of securities or other laws and regulations of securities. However, when more than one proxy is appointed, the proxies may only exercise such voting rights on a poll.

If the shareholder is a recognised clearing house (or its agent), such shareholder may authorize one or more person as it may think fit to act as its proxy at any general meeting or any meeting of any class of shareholders, provided that if more than one person is so authorised, the proxy form shall specify the number and class of shares in respect of which the authorisation is granted to each such person. The persons so authorised may exercise the rights on behalf of the recognised clearing house (or its agent) as if such persons were individual shareholders of the Company.

A proxy must be appointed in writing and the letter of authorisation must be signed by the shareholder or his attorney duly authorised in writing and, if the shareholder is a corporate, be affixed with the common seal or signed by its director or attorney duly authorised in writing. The letter of authorisation shall contain the number of the shares to be represented by the proxy. If several persons are authorised as the proxy of the shareholder, the letter of authorisation shall specify the number of the shares to be represented by each proxy.

The authorisation letter of a voting proxy shall be deposited at the Company's domicile or at such other place as is specified in the notice convening the meeting not less than 24 hours prior to the time for holding the meeting at which the proxy propose to vote or the time specified for the passing of the resolution. If such letter is signed by another person under a power of attorney or other authorisation documents given by the appointer, such power of attorney or other authorisation documents shall be notarised. The notarised power of attorney or other authorisation documents shall, together with the authorisation letter of the voting proxy, be deposited at the Company's domicile or at such other place as is specified in the notice convening the meeting.

If the appointer is a legal person, its legal representative or any person authorised by its legal representative, the Board or other governing body shall attend the shareholders' meeting as the appointer's representative.

A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death or loss of capacity of the appointer or revocation of the proxy or of the authority under which the proxy was executed, or the transfer of the share in respect of which the proxy is given, provided that no notice in writing of such death, loss of capacity, revocation or transfer as aforesaid shall have been received by the Company before the voting at the meeting at which the proxy is used.

13 REGISTER OF SHAREHOLDERS AND OTHER RIGHTS OF SHAREHOLDERS

The Company may, in accordance with the understanding or agreements between the securities regulatory authority of the State Council and the overseas securities regulatory organisations, maintain the register of shareholders of foreign shares overseas and appoint overseas agent(s) to manage such share register. The original register of overseas-listed foreign shares listed in Hong Kong shall be maintained in Hong Kong.

Duplicates of the share register for holders of foreign shares shall be maintained at the domicile of the Company. The appointed overseas agent(s) shall ensure the consistency between the original and the duplicate of the share register at any time.

If there is any inconsistency between the original and the duplicate of share register for holders of foreign shares, the original shall prevail.

The Company shall keep a complete register of shareholders.

The register of shareholders shall comprise of the following parts:

(i) register(s) of shareholders other than those specified in paragraphs (ii) and (iii) below kept at the domicile of the Company;

(ii) register(s) of holders of the Company's Overseas-listed foreign shares kept in the place of the stock exchange(s) where those foreign-investment shares are traded; and

(iii) register(s) of shareholders kept at other places as the Board thinks necessary for the purpose of listing. Different parts of the register of shareholders shall not overlap. No transfer of Shares registered in any part of the register shall, during the continuance of that registration, be registered in any other part of the register.

The alteration or rectification of any part of the register of shareholders shall be carried out in accordance with the laws of the place where such part of the register is maintained.

No change of the register of Shareholders as a result of share transfer shall be made within 30 days before the general Shareholders' meeting is convened or within five days prior to the record date on which our Company decides to pay dividends.

When our Company convenes the general Shareholders' meeting, pays dividends, goes into liquidation or is involved in other actions that require the confirmation of equities, the Board of Directors shall fix a date as the equity registration date, upon expiration of which the Shareholders whose names appear on the register of Shareholders shall be the Shareholders.

Any person who objects to the register of Shareholders and requests to register his or her name (title) in the register of Shareholders or to remove his or her name (title) from the register of Shareholders may apply to the court with jurisdiction to amend the register of Shareholders. The ordinary shareholders of the Company shall be entitled to the following rights:

(i) the right to dividends and other distributions in proportion to the number of shares held;

(ii) the right to attend or appoint a proxy to attend general meetings and to exercise the voting right;

(iii) the right to supervise and manage the business activities of the Company and to put forward proposals and raise inquiries;

(iv) the right to transfer shares in accordance with the laws, administrative regulations, the listing rules of the stock exchange where the shares of the Company listed and provisions of the Articles of Association;

(v) the right to obtain relevant information in accordance with the provisions of the Articles of Association, including:

(1) to obtain a copy of the Articles of Association, subject to payment of the cost of such copy;

(2) to inspect and copy, subject to payment of a reasonable charge:

(aa) all parts of the register of members;

(bb) personal particulars of each of the Company's Directors, supervisors, general managers and other senior management, including:

(aaa) present name and alias and any former name and alias;

(bbb) principal address (domicile);

(ccc) nationality;

(ddd) primary and all other part-time occupations;

(eee) identification document and its number;

(3) report on the state of the Company's share capital;

(4) reports showing the aggregate par value, quantity, maximum and minimum price paid in respect of each class of shares repurchased by the Company since the end of the last accounting year and the aggregate amount incurred by the Company for this purpose;

(5) general meetings minutes, Board meeting minutes and Supervisors Committee meeting minutes.

(6) receipt of bonds issued by the Company;

(7) financial report disclosed by ways of announcement;

(vi) in the event of the termination or liquidation of the Company, to participate in the distribution of remaining assets of the Company in accordance with the number of shares held;

(vii) other rights conferred by laws, administrative regulations and the Articles of Association.

14 QUORUM OF THE GENERAL MEETING

The Company shall, based on the written replies received 20 days prior to the general meeting, calculate the number of voting shares represented by the shareholders who intend to attend the meeting. In the event that the number of voting shares represented by the shareholders who intend to attend the meeting reaches more than half of the total number of the voting shares of the Company, the Company may hold the general meeting. Otherwise, the Company shall within 5 days notify the shareholders once again by way of announcement of the matters to be considered at the meeting as well as the date and the venue of the meeting. Once a notice is made by announcement, the Company may hold the general meeting.

If the number of Shares carrying voting rights represented by the Shareholders intending to attend the meeting exceeds one half of the total number of Shares carrying voting rights on the meeting, our Company may convene a classified Shareholders' meeting, or otherwise, our Company shall notify the Shareholders of the issues to be discussed on the meeting and the date and location of the meeting by way of announcement within 5 days and may convene a classified Shareholders' meeting after giving notice by way of announcement.

15 RESTRICTIONS ON RIGHTS OF THE CONTROLLING SHAREHOLDERS

Apart from the obligations required under the laws, administrative regulations or the listing rules of the stock exchange on which the Company's Shares are listed, when exercising its rights as the Shareholder, the Controlling Shareholder (as defined in Rule 52 of the Articles of Association) shall not make any decision that is detrimental to the interest of all or some of the Shareholders on the following issues by exercising his or her voting rights:

(i) Releasing the Directors and Supervisors from the responsibility of acting honestly in the best interest of our Company;

(ii) Permitting the Directors and Supervisors (for their own or others' interests) to deprive our Company of assets in any form, including, but not limited to, any opportunity that is beneficial to our Company;

(iii) Permitting the Directors and Supervisors (for their own or others' interests) to deprive the Shareholders of their personal rights and interests, including, but not limited to, any dividend distribution or voting right, but excluding the restructuring of our Company approved at the general Shareholders' meeting pursuant to the Articles of Association.

16 COMPANY LIQUIDATION

Under any of the following circumstances, our Company shall be lawfully dissolved and liquidated:

(i) The general Shareholders' meeting resolved to dissolve our Company;

(ii) Our Company needs to be dissolved for the purpose of merger or division;

(iii) Our Company is declared legally bankrupt as a result of failure to pay debts as they fall due;

(iv) Our Company is ordered to close due to any breach of the laws and administrative regulations.

In the event that our Company is dissolved in accordance with the provision set forth in (iii) above, the people's court shall organize the Shareholders, related agencies and professionals to form the liquidation team for liquidation pursuant to relevant provisions of the law.

In the event that our Company is dissolved in accordance with the provision set forth in (iv) above, the related regulatory authority shall organize the Shareholders, related agencies and professionals to form the liquidation team for liquidation.

If the Board of Directors decides to liquidate our Company (except where our Company is liquidated after declaring bankruptcy), the Board of Directors shall state in the notice of the general Shareholders' meeting convened for this purpose that the Board of Directors has performed a comprehensive investigation of the status of our Company and believes that our Company is able to pay off all of our debts within 12 months after the start of liquidation.

After the resolution in relation to liquidation is passed by the general Shareholders' meeting, the powers of the Board of Directors of the Company shall terminate immediately.

In accordance with the instructions of the general Shareholders' meeting, the liquidation team shall at least once a year report at the general Shareholders' meeting on the income and expenditure of the liquidation team, progress of the business and liquidation of our Company, and submit a final report at the general Shareholders' meeting upon completion of liquidation.

Within 10 days of the establishment of the liquidation team, the creditors shall be notified and an announcement shall be published in newspapers within 60 days. The creditors shall declare their claims to the liquidation team within 30 days of the date on which the notice is received or 45 days of the date of announcement if the notice is not received. The liquidation team shall carry out registration of the creditors' claims pursuant to the requirement under the laws. The liquidation team shall exercise the following powers during the liquidation period:

(i) Dispose of our Company's assets and prepare a balance sheet and a list of properties;

(ii) Notify or publish an announcement to the creditors;

(iii) Deal with and liquidate any pending business associated with our Company;

(iv) Pay off all outstanding taxes and taxes in connection with liquidation;

(v) Settle claims and debts;

(vi) Dispose of the remaining assets of our Company after paying up all the debts; and

(vii) Represent our Company in any civil litigation proceedings.

In the event of liquidation in connection with dissolution of the Company and the liquidation team finds that, after taking stock of our Company's assets and preparing the balance sheet and list of assets, that the assets are insufficient to pay the debts, it shall immediately apply to the people's court to declare bankruptcy.

After our Company is declared insolvent by ruling of the people's court, the liquidation team shall turn over matters regarding the liquidation to the people's court.

Upon completion of liquidation of our Company, the liquidation team shall prepare a liquidation report, income and expenditure report and financial record during the liquidation period, which, after being verified by a China-registered accountant, shall be submitted to our general Shareholders meeting or related regulatory authorities for recognition.

Within 30 days of the date of confirmation by the Shareholders' meeting or related regulatory authorities, the liquidation team shall submit the above-mentioned documents to the company registration authority and apply for cancellation of our registration and publish an announcement on our termination.

17 OTHER IMPORTANT PROVISIONS FOR OUR COMPANY OR THE SHAREHOLDERS

(a) General Provisions

Our Company is a permanently existing joint stock limited liability company and an individual corporate legal person with independent legal person properties and entitlements to legal person properties. Our Company is entitled to civil rights and is subject to civil responsibility pursuant to the laws.

All the capital of our Company are divided into shares with the same value. The right and liability of the Shareholders in respect of the Company are limited to the extent of the number of Shares held by them and the liability of the Company to indebtedness is limited to the full amount of its assets.

The Articles of Association is binding on our Company and its Shareholders, Directors, Supervisors, general manager and other senior management. These personnel may assert their rights in connection with the affairs of our Company based on the Articles of Association.

Pursuant to the Articles of Association, Shareholders may sue the Company and the Company may sue Shareholders. Shareholders may sue other Shareholders, the Company's Directors, Supervisors, general manager and other senior management pursuant to the Articles of Association.

(b) Our Company may increase share capital by the following means:

Based on the Company's operation and the requirements for development, the Company may approve of increasing capital pursuant to the Articles of Association. Our Company may increase share capital by the following means:

(i) Issue new Shares to unspecified investors;

(ii) Place new Shares with existing Shareholders;

(iii) Give new Shares to existing Shareholders;

(iv) Issue new Shares to specified targets;

(v) Convert the reserve funds into share capital; or

(vi) Other means approved by the laws, administrative regulations and securities regulatory agency of the State Council.

Upon the approval according to the provisions of the Articles of Association, the increase of our Company's capital by issuing new shares shall be dealt with in accordance with the procedures of related laws and administrative regulations of the State. If our Company decreases our registered capital, we must prepare a balance sheet and a list of properties.

Within 10 days after the date on which the resolution to decrease registered capital is made, the Company shall notify the creditors and an announcement shall be published in newspapers within 30 days. The creditors may request the Company to settle all the debts or provide corresponding guarantees for the debts within 30 days of the date on which the notice is received or 45 days of the date of announcement if the notice is not received. After our Company decreases capital, our registered capital shall not be less than the minimum requirement under the laws.

(c) Shareholders

The Shareholders are persons lawfully holding the Shares and whose names (titles) are already listed in the register of Shareholder. Shareholders enjoy rights and are subject to obligations, according to the class and number of Shares he holds. Holders of the same class of Shares enjoy the same rights and are subject to the same obligations. Shareholders holding different classes of Shares are entitled to the same rights in respect of dividends or any distributions made in other forms.

If the Shareholder is a legal person, its rights shall be exercised by a legal representative or an agent of such legal representative on behalf of the Shareholder.

In the case that any person interested directly or indirectly in the shares of our Company failed to disclose his interests to our Company, our Company shall not freeze or otherwise impair the rights attaching to any shares held by the person.

The rights of our ordinary Shareholders are as follows:

(i) To receive distribution of dividends and other forms of benefits according to the number of Shares held;

(ii) To participate in or appoint a shareholder proxy to participate in and exercise voting rights at the Shareholders' meeting;

(iii) To supervise and manage our business and operational activities, provide suggestions or submit queries;

(iv) To transfer the shares held according to the provisions under the laws, administrative regulations, the listing rules of the stock exchange on which the Company's Shares are listed and the Articles of Association;

(v) To obtain relevant information according to the provisions of the Articles of Association, including:

(1) the right to obtain a copy of the Articles of Association upon payment of the cost thereof;

(2) the right to inspect and receive copies of the following upon payment of reasonable charges:

(aa) all parts of the register of shareholders;

(bb) the following personal particulars of each of the Directors, Supervisors, general manager and other senior management of the Company, including:

(aaa) his present and former name and aliases;

(bbb) his principal address (legal address);

(ccc) his nationality;

(ddd) his primary occupation, all other concurrent occupations and posts; and

(eee) his identification document and its number.

(3) the status of the Company's share capital;

(4) a report showing the aggregate nominal value, the quantity and the maximum and minimum prices paid by the Company in respect of each class of shares repurchased by the Company since the last financial year, and the aggregate amount paid by the Company for this purpose;

(5) minutes of Shareholders' meetings and resolutions passed by meetings of the Board of Directors and the Supervisory Committee;

(6) counterfoils of the Company's bonds;

(7) financial reports published and disclosed;

(vi) in the event of the termination or liquidation of the Company, to participate in the distribution of surplus assets of the Company according to the number of shares held by them;

(vii) other rights conferred by the laws, administrative regulations and the Articles of Association.

Our Company shall adopt the registered method for the Shares. The Share certificates are signed by the chairman of the Board of Directors. Where the stock exchange on which the Shares are listed requires our other senior management to sign the Share certificates, they shall also be signed by other related senior management. The Share certificates shall become effective after being affixed with the stamp of our Company or print-stamped. Affixing our Company stamp to the Share certificates is subject to the authorisation of the Board of Directors. The signature of the chairman of the Board of Directors or other related senior management may also be printed on the Share certificates.

If any Shareholder whose name appears in the register of Shareholders or any person requesting to register his or her name (title) in the register of Shareholders has his or her Share certificates (being the "original Share certificates") lost, stolen or destroyed, he or she may apply to our Company for a replacement new Share certificates for those Shares (being the "related shares").

If a Shareholder of Domestic Shares has his or her share certificate lost, stolen or destroyed, the application for a replacement new share certificate shall be dealt with in accordance with relevant provisions of the Company Law.

If a holder of overseas listed foreign Shares has his or her share certificate lost, stolen or destroyed, the application for a replacement new share certificate shall be dealt with pursuant to the laws and rules of the stock exchange where the original register of holders of the overseas listed foreign Shares is kept, or other related provisions.

If a holder of H Shares has his or her share certificate lost, stolen or destroyed and applies for a replacement new share certificate, the Share certificates shall be issued in compliance with the following requirements:

(i) The applicant shall submit the application in the standard format designated by our Company and attach a notary certificate or legal declaration. The contents of the notary certificate or legal declaration shall include the reason for the applicant's request, circumstances and evidence of the loss, theft or damage of the Share certificates, as well as a statement that nobody else may request to be registered as a Shareholder with respect to the pertinent Shares.

(ii) Before deciding to issue new Share certificates, our Company does not receive any statement in which any person other than the applicant requests to be registered as the Shareholder with respect to the Shares.

(iii) If our Company decides to issue new Share certificates to the applicant, we shall publish an announcement in a newspaper designated by the Board of Directors indicating that we plan to reissue new Share certificates. The announcement period shall be 90 days and the announcement shall be published at least once every 30 days.

(iv) Before publishing the announcement indicating that we plan to re-issue new Share certificates, our Company shall submit a copy of the announcement to be published to the securities exchange on which the Shares are listed and may publish the announcement after receiving a reply from the stock exchange confirming that the announcement has been displayed at the stock exchange. The period of displaying the announcement at the stock exchange is 90 days. If the application for reissue of new Share certificates is not approved by the registered Shareholders of the related Shares, our Company shall mail the copy of the announcement to be published to the Shareholders.

(v) In the event that nobody tenders any objection to the reissue of Share certificates to our Company, upon expiration of the 90-day display period of the announcement specified in (iii) and (iv) above, the new Share certificates may be reissued according to the application of the applicant.

(vi) When re-issuing new Share certificates, our Company shall immediately cancel the original Share certificates and register the cancellation and replacement issue on the register of Shareholders.

(vii) All expenses incurred by our Company from the cancellation of the original Share certificates and replacement issue of the new Share certificates shall be borne by the applicant. Before the applicant has provided reasonable security, our Company shall have the right to refuse to take any action.

(d) Untraceable members

Our Company has the right to sell the Shares of any untraceable shareholder of overseas listed foreign Shares in the manner considered to be appropriate by the Board of Directors under the circumstances indicated below:

(i) Dividends has been paid at least three times in respect of these Shares within 12 years, but no one has claimed the dividends during that period; and

(ii) Upon expiration of the 12-year period, our Company publishes an announcement in one or more newspapers of the region where our Company is listed, indicating our intention to sell the Shares and notifies the stock exchange on which these shares are listed of such intention.

Within one year after the date on which the Company declares the distribution of dividends, the Board of Directors has the right to utilize the dividends which no shareholder has claimed for investment or other purposes for the benefits of the Company. In compliance with relevant laws and regulations of the PRC, the company may exercise power to confiscate the dividends which nobody has claimed only after the expiry of the relevant limitation period.

Any amount paid up in advance of calls on any share may carry interest but shall not entitle the holder of the share to participate in respect thereof in a dividend subsequently declared.

(e) Regulations on the Powers of the Board of Directors and Convening the Board of Directors' Meetings

The Board of Directors is responsible to the general Shareholders' meeting and exercises the following powers:

(i) To convene the general Shareholders' meeting and report on work to the general Shareholders' meeting;

(ii) Execute the resolutions of the general Shareholders' meeting;

(iii) Determine our business and investment plans, as well as material asset disposal and restructuring plans;

(iv) Devise our annual financial budget and closing account plans;

(v) Devise our earnings distribution and loss offset plans;

(vi) Formulate plans for increasing or decreasing registered capital and the issuance of corporate bonds;

(vii) Formulate plans for corporate merger, separation, dissolution and changing the form of our Company;

(viii) Decide on the setup of our Company's internal management organisation;

(ix) Appoint or dismiss the general manager and the secretary of the Board of Directors of our Company; based on the nomination of the general manager, appoint or dismiss our deputy general manager, the chief accountant and other senior management, and determine their remuneration;

(x) Set our basic management systems;

(xi) Make the modification plan to the Articles of Association;

(xii) Manage the disclosure of company information;

(xiii) Propose the appointment or replacement of the accounting firm that performs audits for our Company at the general Shareholders' meeting;

(xiv) Other powers and duties authorised by the laws, regulations, provisions under the listing rules of the stock exchange on which the Company's Shares are listed, the general Shareholders' meeting and the Articles of Association.

All of the above resolutions adopted by the Board of Directors, except that those mentioned in (vi), (vii) and (xi) above must be approved by more than two-thirds votes of the Directors, shall be approved by more than half of the votes of the Directors. The Board of Directors shall discharge its duties in accordance with the laws of the State, administrative regulations, the Articles of Association and the resolutions of the Shareholders.

The Company will hold one meeting chaired by the president only for non-executive directors (including independent non-executive directors) every year in order to carry out an independent audit on the business status of the Company.

A special meeting of the Board of Directors may be convened in case of the occurrence of any of the following events:

(i) When the chairman of the Board of Directors deems necessary;

(ii) When over one third of directors jointly make a proposal;

(iii) When the Supervisory Committee makes a proposal;

(iv) When the shareholders representing over 10% of voting rights make a proposal;

(v) When more than half of the independent non-executive Directors make a proposal;

(vi) When the general manager makes a proposal.

The president shall convene and preside over the meeting of the Board of Directors within 10 days after the receipt of the proposal.

The Directors shall attend the Board of Directors meeting in person. In the event that Directors are unable to attend the meeting for any reasons, the Directors may appoint in writing other directors to attend the Board of Directors meeting. The proxy letter shall specify the scope of authorisation.

The director who attends the meeting on behalf of another director shall exercise the right of the director within the scope of authorisation. If any director fails to attend the meeting of the Board of Directors or entrusts a proxy to be present on his/her behalf, such director shall be deemed to have waived his/her voting rights at that meeting.

Meetings of the Board of Directors shall be attended by more than one-half of the Directors (including Directors appointed to attend such meetings of the Board of Directors pursuant to Rules 104 of the Articles of Association) before the Board of Directors meeting can be convened.

Each Director has one vote. Unless otherwise required by the Articles of Association, resolutions made by the Board of Directors must be approved by more than one-half of the Directors' votes.

No resolution of the Board of Directors concerning any connected transactions will become effective without the signatures of independent (non-executive) directors.

At a meeting of the Board of Directors, a Director shall disqualify himself/herself and shall not vote on any matter in which he/she is interested. Moreover, that director shall not be counted in the quorum present at the meeting

(f) Independent Director

The Board of Directors includes four independent (non-executive) directors. The number of independent non-executive directors shall not be less than three and one-third of the total number of Directors at any time.

(g) Secretary of the Board of Directors

The Company has one secretary of the Board of Directors. The secretary of the Board of Directors is a senior management personnel of the Company and shall be responsible to the Board of Directors. The secretary of the Board of Directors shall be a natural person with professional expertise and experience and shall be nominated by the president and appointed or dismissed by the Board of Directors.

(h) Supervisory Committee

Our Company has set up a Supervisory Committee. The Supervisory Committee consists of 8 supervisors, out of which 5 supervisors are assumed by Shareholders and 3 supervisors are assumed by staff representatives. The supervisors serve three-year terms and may be re-elected.

The Supervisory Committee includes one chairman. The chairman of the Supervisory Committee shall be elected and dismissed by more than two-third votes of the members of the Supervisory Committee. The supervisors assumed by non-staff representatives shall be elected and dismissed by the general Shareholders' meeting and the supervisors assumed by staff representatives shall be elected and dismissed through a democratic election held by the staff of the Company. The number of supervisors assumed by staff representatives shall not be less than one-third of the total number of supervisors. The Directors, general manager and senior management shall not serve as supervisors. The Supervisory Committee shall convene at least two meetings every year and at least one meeting every six months and such meetings shall be convened by the chairman of the Supervisory Committee. Any supervisors may propose to convene a special meeting of the Supervisory Committee. In the event that the chairman of the Supervisory Committee shall not or is unable to discharge any duties, he or she shall appoint another supervisor to act behalf of him or her.

The Supervisory Committee is responsible to the general Shareholders' meeting and exercises the following powers pursuant to the laws:

(i) Examine the financial standing of our Company;

(ii) Monitor the execution of duties by the Directors and senior management and put forward suggestions for dismissing any directors or senior management who are in breach of the laws, administrative regulations, the Articles of Association or resolutions of the general Shareholders' meetings;

(iii) Require the said personnel to take corrective measures when their actions are detrimental to our interests;

(iv) Verify the financial information such as the financial reports, business reports and profit distribution plans to be submitted by the Board to the general Shareholders' meetings and, should any queries arise, to authorize, in the name of our Company, a re-examination by the certified public accountants and practicing auditors;

(v) Propose to convene an extraordinary general meeting and convene and preside over the general Shareholders' meeting when the Board of Directors fails to perform the duties in relation to convening or presiding over the general Shareholders' meeting;

(vi) Submit proposals at the general Shareholders' meetings;

(vii) Represent our Company in negotiating with or in bringing actions against the Directors and senior management; and

(viii) Other powers and duties stipulated in the Articles of Association.

The supervisors attend meetings of the Board of Directors.

(i) General Manager

Our Company has one general manager, who shall be appointed or dismissed by the Board of Directors, and certain number of deputy general manager, who shall be nominated by the general manager and appointed or dismissed by the Board of Directors. Directors may serve as the general manager, deputy general manager or other senior management positions.

The Board of Directors of the Company may decide that a member of the Board of Directors serves as the general manager and other senior management positions, provided that the number of Directors serving as the general manager and other senior management positions shall not exceed half of the total number of Directors.

The general manager is responsible to the Board of Directors and exercises the following powers:

(i) Be in charge of the production and operational management of our Company as well as the organisation of the enforcement of resolutions of the Board of Directors;

(ii) Organize the implementation of the annual operation plans and investment schemes of our Company;

(iii) Formulate the structure scheme of the internal management agency of our Company;

(iv) Formulate the substantial management system of our Company;

(v) Formulate the substantial rules of our Company;

(vi) Propose the appointment or dismissal of the deputy general managers, chief accountant and other senior management of our Company;

(vii) Appoint or dismiss other management and staff other than those who shall be appointed or dismissed by the Board of Directors, and make decisions in respect of their remuneration and rewards and penalties;

(viii) Prepare plans for the conversion, division, restructuring and dissolution of the Company's wholly-owned subsidiaries;

(ix) Formulate the structure scheme of the branch of our Company;

(x) Make decisions in respect of the investments, financing, contracts and transactions of the Company within the scope of authorisation of the Board of Directors;

(xi) Propose to convene extraordinary meetings of the Board of Directors in case of emergency;

(xii) Other responsibilities authorised by the Articles of Association and the Board of Directors;

(xiii) Appoint the deputy general managers, chief accountant and other senior management to help with its duties.

(j) Settlement of Disputes

Our Company shall comply with the following rules governing the settlement of disputes:

(i) Whenever there occur any disputes or claims between holders of the overseas listed foreign investment shares and our Company, holders of the overseas listed foreign investment shares and our Company's Directors, Supervisors or senior management, or holders of the overseas listed foreign investment shares and holders of Domestic Shares regarding the rights or obligations relating to the affairs of our Company imposed by the Articles of Association, the Company Law or any other relevant laws and administrative regulations, such disputes or claims shall be referred by the relevant parties to arbitration;

Where the aforesaid dispute or claim of rights is referred to arbitration, the entire claim or the dispute as a whole must be referred to arbitration, and any parties who have a cause of action based on the same facts giving rise to the dispute or the claim or whose participation is necessary for the settlement of such dispute or claim, are bound by the award of the arbitration provided that such person is our Company or a Shareholder, a Director, a supervisor, the general manager or any other senior management of our Company.

Disputes in relation to the definition of shareholders and disputes in relation to the shareholders' register need not be resolved by arbitration;

(ii) A claimant may elect for arbitration at either the China International Economic and Trade Arbitration Commission in accordance with its rules or the Hong Kong International Arbitration Centre in accordance with its Securities Arbitration Rules. Once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitral body so elected by the claimant.

If a claimant elects for arbitration at Hong Kong International Arbitration Centre, any party may request the arbitration to be conducted in Shenzhen in accordance with the Securities Arbitration Rules of the Hong Kong International Arbitration Centre;

(iii) The laws of the People's Republic of China are applicable to the arbitration for the disputes or claims of rights referred to in paragraph (i), unless otherwise provided in the laws and administrative regulations;

(iv) The award of an arbitration body shall be final and binding on all parties.

A. FURTHER INFORMATION ABOUT OUR COMPANY

1 Incorporation

Our Company was converted from our predecessor, Beijing Urban Construction Design & Research Institute Co., Ltd. (北京城建設計研究總院有限責任公司), a PRC limited liability company, and established as a joint stock limited company under the PRC laws on 28 October 2013. We have established a principal place of business in Hong Kong at 18/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong and were registered with the Hong Kong Companies Registry as a non-Hong Kong company under Part XI of the then Companies Ordinance on 21 February 2014. Kwong Yin Ping has been appointed as our agent for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company was incorporated in the PRC, we are subject to the relevant laws and regulations of the PRC and our Articles of Association. A summary of the relevant aspects of PRC laws and regulations is set out in "Appendix IV— Summary of Principal Legal and Regulatory Provisions" to this [**REDACTED**]. A summary of our Articles of Association is set out in "Appendix V— Summary of Articles of Association" to this [**REDACTED**].

2 Changes in the share capital of our Company

The following sets out the changes in our share capital since the commencement of our operations in 1958.

As at the date of the registration of our predecessor, namely, Beijing Urban Construction Engineering Design Institute, as an enterprise owned by the whole people on 1 August 1990, our initial registered capital was RMB3.11 million, which was fully paid up by Beijing Urban Construction Engineering Corporation, the predecessor of BUCG.

On 20 August 1996, the registered capital our predecessor, namely, Beijing Urban Construction Design & Research Institute, was increased to RMB13.61 million, which was fully paid up.

On 14 September 2001, Beijing Urban Construction Engineering Design Institute was established as a limited liability company and changed its name to Beijing Urban Construction Design & Research Institute with a registered capital increased to RMB15 million, among which RMB9 million was contributed by BUCG in the form of net assets and RMB6 million was contributed by the Employee Shareholding Committee of our Company and six individual shareholders in cash, which was fully paid up.

On 18 September 2003, the registered capital of our predecessor, namely, Beijing Urban Construction Design & Research Institute Co., Ltd., was increased by RMB8 million to RMB23 million, among which RMB4.08 million was further contributed by BUCG in the form of net assets and RMB3.92 million was further contributed by the Employee Shareholding Committee of our Company in cash, which was fully paid up.

On 22 August 2005, the registered capital of Beijing Urban Construction Design & Research Institute Co., Ltd. was increased by RMB9 million to RMB32 million, among which RMB5.11 million was further contributed by BUCG in cash and RMB3.89 million was further contributed by the Employee Shareholding Committee in cash, which was fully paid up.

By a resolution dated 12 January 2012, the Employee Shareholding Committee of Beijing Urban Construction Design & Research Institute Co., Ltd. transferred its entire equity interest in Beijing Urban Construction Design & Research Institute Co., Ltd. to BUCG.

On 16 April 2012, following the capitalisation of its surplus reserve and undistributed profits into registered capital, the registered capital of Beijing Urban Construction Design & Research Institute Co., Ltd. was increased to RMB150 million.

On 24 May 2013, following the capital injection by seven Strategic Investors, the registered capital of Beijing Urban Construction Design & Research Institute Co., Ltd. was increased to RMB230,769,400, which was fully paid up.

Our predecessor was converted into a joint stock limited company under the PRC laws on 28 October 2013. Following the conversion, our Company's registered capital was RMB920,000,000, divided into 920,000,000 Domestic Shares with nominal value of RMB1.00 each, all of which were fully paid up and were held as follows:

Name	Number of Domestic Shares held	Percentage of Shareholding (%)
BUCG	598,000,000	65
BII	92,000,000	10
Beijing Jingguofa Equity Investment Fund (Limited Partnership)	46,000,000	5
Rail Transit Company	46,000,000	5
Gonglian Company	46,000,000	5
Tianjin Jun Rui Qi Equity Investment Partnership (LLP)	46,000,000	5
Zhongtai Investment	23,184,000	2.52
Beijing You Neng Shang Zhuo Venture Capital Fund (LLP)	22,816,000	2.48
Total	920,000,000	100.00

Immediately upon completion of the [**REDACTED**] (assuming the Over-allotment Option is not exercised), the registered capital of our Company will be [**REDACTED**], comprising [**REDACTED**] Domestic Shares and [**REDACTED**] H Shares (including [**REDACTED**] H Shares converted from Domestic Shares pursuant to the relevant PRC laws relating to reduction of State-owned shares and sold for the benefit of the NSSF), with nominal value of RMB1.00 each, representing approximately [**REDACTED**] and [**REDACTED**] of the total capital, respectively.

Immediately upon completion of the [**REDACTED**] (assuming the Over-allotment Option is fully exercised), the registered capital of our Company will be [**REDACTED**], comprising [**REDACTED**] Domestic Shares and [**REDACTED**] H Shares (including [**REDACTED**] H Shares converted from Domestic Shares pursuant to the relevant PRC laws relating to reduction of State-owned shares and sold for the benefit of the NSSF), with nominal value of RMB1.00 each, representing approximately [**REDACTED**] and [**REDACTED**] of the total capital, respectively.

Save as disclosed in this Appendix, there has been no alteration in the share capital of our Company since the commencement of our operations.

3 Changes in the share capital of our subsidiaries

A list of our subsidiaries as at the date of this [**REDACTED**] is set out in the Accountants' Report as included in Appendix I to this [**REDACTED**]. The following sets out the changes in the share capital of our subsidiaries during the Track Record Period and up to and including the date of this [**REDACTED**].

(i) Exploration Institute

The registered capital of Exploration Institute, our direct wholly-owned subsidiary, was increased from RMB8.3 million to RMB30 million following the capitalisation of its surplus reserve and undistributed profit into registered capital on 16 August 2012.

(ii) China Metro

The registered capital of China Metro, in which 56.22% of the equity interest is held by our Company, was increased from RMB8 million to RMB13.34 million on 24 October 2013, following the capital injection by a new shareholder, China Association of Metros.

Save as disclosed in this [**REDACTED**], there had been no other alteration in the share capital of any of the subsidiaries of our Company within the two years preceding the date of this [**REDACTED**].

4 Restrictions on Share Repurchase

For details of the restrictions on share repurchase by our Company, please refer to "Rights of Our Company to Repurchase Our Outstanding Issued Shares" under "Appendix V — Summary of the Articles of Association" to this [**REDACTED**].

5 Resolutions passed at our extraordinary general meeting on 16 December 2013

At our extraordinary general meeting held on 16 December 2013, among other things, the following resolutions were passed by the Shareholders:

(a) approving the issue of the H Shares by the Company and the H Share Listing, whereby the number of H Shares to be issued by our Company shall not exceed 30% of the total number of Shares after Listing; the issue price of the H Shares will be determined by our Company (on behalf of itself and the Selling Shareholders) and the lead Underwriters collectively in accordance with the results of roadshow; upon the approval of the relevant PRC regulatory authorities, the State-owned shareholders of our Company will transfer to NSSF such number of Domestic Shares as in aggregate would be equivalent to 10% of the number of the [**REDACTED**] (such number of Domestic Shares will be increased if the Over-allotment Option is exercised);

(b) subject to completion of the [**REDACTED**], the conditional adoption of the Articles of Association which shall become effective on the Listing Date, and the authorisation to the Board to amend the Articles of Association in accordance with the requirements by the relevant regulatory authorities in accordance with the relevant laws and regulations; and

(c) approving the Board to handle all matters relating to the issue of the H Shares and the H Share Listing.

6 Reorganisation

In preparation for the [**REDACTED**], we underwent the Reorganisation, details of which are set out in "History, Reorganisation and Corporate Structure" in this [**REDACTED**]. As confirmed by Haiwen & Partners, our legal advisors as to PRC law, we have obtained all necessary approvals from the relevant PRC regulatory authorities required for the implementation of the Reorganisation. These approvals include:

(a) the approval document (Jing Guo Zi Chan Quan [2012] No.277) dated 25 December 2012 issued by Beijing SASAC approving the application relating to the transfer of 60% equity interest in Xinjie Consulting from BUCG to our Company at nil consideration;

(b) the approval document (Jing Guo Zi Chan Quan [2013] No.14) dated 5 February 2013 issued by Beijing SASAC approving the application relating to the transfer of the business relating to the rail transit construction contracting department from BUCG to our Company at nil consideration; and

(c) the approval document (Jing Guo Zi Chan Quan [2013] No.64) dated 27 March 2013 issued by Beijing SASAC approving the application relating to the transfer of the land use rights and ownership of a building located at No. 5 Fuchengmen North Street, Xicheng District, Beijing from BUCG to our Company at nil consideration.

7 Further information about our PRC establishments

As at the Latest Practicable Date, we had interests in the following PRC entities:

- *Agiletech*

Agiletech was established as a limited liability company on 25 January 2007 with a registered capital of RMB5,000,000, in which our Company holds a 30% equity interest and our wholly-owned subsidiary, Exploration Institute, holds a 21% equity interest. Its business scope includes engineering consultancy, project planning, technology research, development and promotion of security risk system evaluation, assessment and management.

- *Rail Transit Design Institute*

Rail Transit Design Institute was established as a limited liability company on 15 December 2012 with a registered capital of RMB10,000,000, in which our Company holds a 40% equity interest and BUCG holds a 10% equity interest. Its business scope includes survey and design of urban rail transit network and line, survey and design of urban underground space development, technical consultancy and economic information consultancy.

- *Zhengzhou Rail Transit Design & Research Institute Co., Ltd. (鄭州市軌道交通設計研究院有限公司)*

Zhengzhou Rail Transit Design & Research Institute Co., Ltd. was established as a limited liability company on 26 April 2011 with a registered capital of RMB5,000,000, in which our Company holds a 49% equity interest. Its business scope includes, among others, municipal industries and related specialisations (water supply and drainage, bridges, civic tunnels, rail transit, etc.), design for and consultancy of the construction industries, preparation of feasibility study report, research and development and transfer of related technologies.

- *Beijing Urban Construction Shunjie Electronic Graphic Design Co., Ltd. (北京城建順捷電子圖文設計製作有限責任公司)*

Beijing Urban Construction Shunjie Electronic Graphic Design Co., Ltd. was established as a limited liability company on 30 June 1994 with a registered capital of RMB500,000, in which our Company holds a 20% equity interest. Its business scope includes, among others, photo printing, binding, colour printing, production of display boards, computer animation design, typewriting and sales of hardware and electrical equipment.

- *Jiangsu Urban Rail Transit Research & Design Development Institute Co., Ltd.*

Jiangsu Urban Rail Transit Research & Design Development Institute Co., Ltd. was established as a limited liability company on 23 August 2011 with a registered capital of RMB50,000,000, in which our Company holds a 7.3% equity interest. Its business scope includes, among others, planning, design for and consultancy of rail transit, construction and operation of rail transit engineering and engineering supervision.

In order to comply with the restrictions on non-state capital investment in the publishing industry under PRC laws, our Company and BUCG entered into an equity interest transfer agreement dated 10 March 2014, pursuant to which our Company agreed to transfer all its equity interest (*i.e.*, 50%) in "Urban Rapid Rail Transit" Journal Press Co., Ltd. of Beijing (北京《都市快軌交通》雜誌社有限公司) to BUCG at a consideration of RMB450,000. The transfer of equity interest from our Company to BUCG was completed in March 2014. "Urban Rapid Rail Transit" Journal Press Co., Ltd. of Beijing was established as a limited liability company on 16 October 2003 with a registered capital of RMB300,000. Its business scope includes publication of the magazine "Urban Rapid Rail Transit" in China and overseas, advertisement design, production and advertisement publication in its own magazine "Urban Rapid Rail Transit".

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1 Summary of material contracts

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the date of this [**REDACTED**] that are or may be material:

(a) the Equity Interest Transfer Agreement dated 27 June 2012 entered into among Beijing Urban Construction Design & Research Institute Co., Ltd., the Employee Shareholding Committee of Exploration Institute and Exploration Institute, pursuant to which the Employee Shareholding Committee of Exploration Institute transferred its 39.036% equity interest in Exploration Institute to Beijing Urban Construction Design & Research Institute Co., Ltd. at a consideration of RMB24,128,280;

(b) the State-owned Equity Interest Transfer Agreement dated 31 December 2012 entered into between Beijing Urban Construction Design & Research Institute Co., Ltd. and Exploration Institute, pursuant to which Exploration Institute transferred its 100% equity interest in Huan'an Inspection to Beijing Urban Construction Design & Research Institute Co., Ltd. at nil consideration;

(c) the Equity Interest Transfer Agreement dated 25 December 2012 entered into between Beijing Urban Construction Design & Research Institute Co., Ltd. and Beijing Anyong Prince Equity Brokerage Co., Ltd. (北京安永普潤產權經紀有限公司), pursuant to which Beijing Anyong Prince Equity Brokerage Co., Ltd. transferred its 5% equity interest in Exploration Institute to Beijing Urban Construction Design & Research Institute Co., Ltd. at a consideration which should not be higher than RMB6.77 per share, based on the valuation results of Exploration Institute as at 31 March 2012;

(d) the Assets Transfer Agreement dated 26 December 2012 entered into between BUCG and Beijing Urban Construction Design & Research Institute Co., Ltd., pursuant to which BUCG agreed to transfer its urban rail transit construction contracting business and related assets to Beijing Urban Construction Design & Research Institute Co., Ltd. at nil consideration;

(e) the Land and Real Estate Transfer Agreement dated 26 December 2012 entered into between BUCG and Beijing Urban Construction Design & Research Institute Co., Ltd., pursuant to which BUCG agreed to transfer its properties located at No. 5, Fuchengmen North Street, Xicheng District, Beijing and the corresponding land use right to Beijing Urban Construction Design & Research Institute Co., Ltd. at nil consideration;

(f) the State-Owned Enterprise Property Right Transfer Agreement dated 28 December 2012 entered into between BUCG and Beijing Urban Construction Design & Research Institute Co., Ltd., pursuant to which BUCG agreed to transfer its 60% equity interest in Xinjie Consulting to Beijing Urban Construction Design & Research Institute Co., Ltd. at nil consideration;

(g) the Supplemental Agreement to the Reorganisation Agreements dated 16 June 2014 entered into between our Company and BUCG on matters relating to the Reorganisation, details of which are set out in "History, Reorganisation and Corporate Structure — Corporate Structure and Business Segments — Reorganisation" in this [**REDACTED**];

(h) the Subscription Agreement dated 17 May 2013 entered into among Beijing Urban Construction Design & Research Institute Co., Ltd., BUCG and the Strategic Investors, pursuant to which the Strategic Investors agreed to subscribe for our increased registered capital of RMB80,769,400 at an aggregated consideration of RMB703,160,000;

(i) the Agreement on Exercise of Voting Rights of Shareholders dated 18 July 2013 entered into among Beijing Urban Construction Design & Research Institute Co., Ltd., Zhong Tai Investment and Taitong Construction Co., Ltd., pursuant to which Zhong Tai Investment and Taitong Construction Co., Ltd. agreed to act in concert with Beijing Urban Construction Design & Research Institute Co., Ltd. in relation to all important matters in the operations and management of Taijie Consulting that require the decisions of the shareholders;

(j) the Subscription Agreement dated 20 August 2013 entered into among Beijing Urban Construction Design & Research Institute Co., Ltd., Beijing Huaxie Transportation Consultation Company (北京華協交通諮詢公司), China Association of Metros (中國城市軌道交通協會) and China Metro, pursuant to which China Association of Metros subscribed for approximately 40.03% equity interest in China Metro for RMB5,500,200;

(k) the Agreement on Exercise of Voting Rights of Shareholders and Directors dated 24 January 2014 entered into between our Company and BUCG, pursuant to which BUCG agreed to act in concert with our Company in relation to all matters in the operations and management of Rail Transit Design Institute that require the decisions of the shareholders and the board of directors;

(l) the Non-competition Agreement dated 24 January 2014 entered into between our Company and BUCG, pursuant to which BUCG agreed, among other things, not to compete with us in our principal business;

(m) the Supplemental Agreement to the Non-competition Agreement dated 16 June 2014 entered into between our Company and BUCG in respect of the matters described in (1) above;

(n) the Equity Interest Transfer Agreement dated 10 March 2014 entered into between our Company and BUCG, pursuant to which our Company agreed to transfer its 50% equity interests in "Urban Rapid Rail Transit" Journal Press Co., Ltd. of Beijing to BUCG at a consideration of RMB450,000;

(o) a cornerstone investment agreement dated [**REDACTED**], entered into among [**REDACTED**], the Joint Sponsors, the Joint Global Coordinators and our Company, pursuant to which [**REDACTED**] agreed to subscribe for such number of [**REDACTED**] (rounded down to the nearest whole board lot) as may be purchased for HK dollar equivalent of US$[**REDACTED**] at the [**REDACTED**];

(p) a cornerstone investment agreement dated [**REDACTED**], entered into among [**REDACTED**], the Joint Sponsors, the Joint Global Coordinators and our Company, pursuant to which [**REDACTED**] agreed to subscribe for such number of [**REDACTED**] (rounded down to the nearest whole board lot) as may be purchased for HK dollar equivalent of US$[**REDACTED**] at the [**REDACTED**];

(q) a cornerstone investment agreement dated [**REDACTED**], entered into among [**REDACTED**], the Joint Sponsors, the Joint Global Coordinators and our Company, pursuant to which [**REDACTED**] agreed to subscribe for such number of [**REDACTED**] (rounded down to the nearest whole board lot) as may be purchased for HK dollar equivalent of US$ [**REDACTED**] at the [**REDACTED**];

(r) a cornerstone investment agreement dated [**REDACTED**], entered into among [**REDACTED**], the Joint Sponsors, the Joint Global Coordinators and our Company, pursuant to which [**REDACTED**] agreed to subscribe for such number of [**REDACTED**] (rounded down to the nearest whole board lot) as may be purchased for HK dollar equivalent of US$ [**REDACTED**] at the [**REDACTED**];

(s) a cornerstone investment agreement dated [**REDACTED**], entered into among [**REDACTED**], the Joint Sponsors, the Joint Global Coordinators and our Company, pursuant to which [**REDACTED**] agreed to subscribe for such number of [**REDACTED**] (rounded down to the nearest whole board lot) as may be purchased for HK dollar equivalent of US$[**REDACTED**] at the [**REDACTED**]; and

(t) the Hong Kong Underwriting Agreement, details of which are set out in "Underwriting — Underwriting Arrangement and Expenses — Hong Kong Public Offering — Hong Kong Underwriting Agreement" in this [**REDACTED**].

2 Intellectual property rights

As at the Latest Practicable Date, we had registered or had applied for the registration of the following intellectual property rights, which are material to our business:

(a) Trademarks

As at the Latest Practicable Date, we had registered the following trade marks which are material to our business:

Trademark	Registered Owner	Registration No.	Place of Registration	Class	Effective Period
METRO AND LIGHT RAIL 地铁与轻轨	Company	3751087	PRC	16	2005.11.14–2015.11.23
BUEDRI	Company	5056321	PRC	42	2009.5.28–2019.5.27

As at the Latest Practicable Date, we had filed application for the following trademarks in the PRC, which are material to our business.

Trademark	Applicant	Application No.	Place of Application	Class	Application Date
UCD	Company	13739535	PRC	36	16 December 2013
UCD	Company	13739618	PRC	37	16 December 2013
UCD	Company	13739665	PRC	42	16 December 2013
UCD	Company	13853328	PRC	6	3 January 2014
UCD	Company	13853549	PRC	7	3 January 2014
UCD	Company	13853628	PRC	9	3 January 2014
UCD	Company	13853714	PRC	11	3 January 2014
UCD	Company	13853749	PRC	12	3 January 2014
UCD	Company	13853808	PRC	16	3 January 2014
UCD	Company	13853852	PRC	19	3 January 2014

Trademark	Applicant	Application No.	Place of Application	Class	Application Date
UCD	Company	13853885	PRC	35	3 January 2014
UCD	Company	13853928	PRC	38	3 January 2014
UCD	Company	13853957	PRC	39	3 January 2014
UCD	Company	13854011	PRC	40	3 January 2014
UCD	Company	13854048	PRC	41	3 January 2014

As at the Latest Practicable Date, we had been licensed by BUCG to use the following trademarks in and outside the PRC pursuant to the Trademark Licence Framework Agreement and Patent Licence Framework Agreement, which are material to our business.

Trademark	Registered Owner	Registration No.	Place of Registration	Class	Effective Period
	BUCG	1339830	PRC	39	2009.11.28–2019.11.27
	BUCG	1339994	PRC	37	2009.11.28–2019.11.27
	BUCG	1339995	PRC	37	2009.11.28–2019.11.27
	BUCG	1342253	PRC	39	2009.12.7–2019.12.6
	BUCG	1347351	PRC	36	2009.12.21–2019.12.20

Trademark	Registered Owner	Registration No.	Place of Registration	Class	Effective Period
	BUCG	1347352	PRC	36	2009.12.21–2019.12.20
城建	BUCG	1349763	PRC	37	2009.12.28–2019.12.27
	BUCG	1349822	PRC	42	2009.12.28–2019.12.27
BUCG	BUCG	1352280	PRC	42	2010.1.7–2020.1.6
BUCG	BUCG	1364851	PRC	42	2010.2.14–2020.2.13
BUCG	BUCG	1373247	PRC	19	2010.3.14–2020.3.13
BUCG	BUCG	1374460	PRC	7	2010.3.14–2020.3.13
BUCG	BUCG	1374886	PRC	35	2010.3.14–2020.3.13
	BUCG	1378223	PRC	19	2010.3.28–2020.3.27
	BUCG	1378224	PRC	19	2010.3.28–2020.3.27
	BUCG	1379445	PRC	7	2010.3.28–2020.3.27
	BUCG	1379825	PRC	35	2010.3.28–2020.3.27
	BUCG	1379827	PRC	35	2010.3.28–2020.3.27

Trademark	Registered Owner	Registration No.	Place of Registration	Class	Effective Period
	BUCG	1381884	PRC	7	2010.4.7–2020.4.6
	BUCG	1383127	PRC	2	2010.4.14–2020.4.13
	BUCG	1385698	PRC	42	2010.4.14–2020.4.13
	BUCG	1386114	PRC	2	2010.4.21–2020.4.20
	BUCG	1386115	PRC	2	2010.4.21–2020.4.20
	BUCG	1388332	PRC	12	2010.4.21–2020.4.20
	BUCG	1388333	PRC	12	2010.4.21–2020.4.20
	BUCG	1388350	PRC	12	2010.4.21–2020.4.20
	BUCG	1394193	PRC	6	2010.5.7–2020.5.6
	BUCG	1394194	PRC	6	2010.5.7–2020.5.6
	BUCG	1394195	PRC	6	2010.5.7–2020.5.6
	BUCG	1398064	PRC	1	2010.5.21–2020.5.20
	BUCG	1398067	PRC	1	2010.5.21–2020.5.20

Trademark	Registered Owner	Registration No.	Place of Registration	Class	Effective Period
	BUCG	1398068	PRC	1	2010.5.21–2020.5.20

(b) Patents

As at the Latest Practicable Date, we had been granted the following patents in the PRC which are material to our business:

Patent	Patentee(s)	Patent No.	Patent Type	Application Date	Grant Date	Expiry Date
A system integrated and developed for underground integrated pipeline and its underground space	Company	ZL00123618.0	Invention	2000.8.31	2004.3.17	2020.8.30
Pilot tunnel- isolation of piling wall method, a method and structure to protect the surrounding structure from subsidence	Company, China Railway Tunnel Co., Ltd	ZL02158586.5	Invention	2002.12.26	2005.2.23	2022.12.25
Ventilating, Air-Conditioning and Multifunctional Equipment Integrating System for Metro	Company, Beijing Subway Operation Co., Ltd.	ZL03101900.5	Invention	2003.1.29	2005.8.24	2023.1.28
Dual-stiffness rail damper	Company	ZL200510200788.1	Invention	2005.12.12	2008.11.5	2025.12.11
Structural steel concrete frame-restraining joint of structural steel pillar with steel support structure	Company, Beijing Institute of Architectural Design	ZL200710200288.7	Invention	2007.3.16	2009.6.24	2027.3.15
Structural steel concrete frame-conversion joint of variable cross-section with steel support structure	Company, Beijing Institute of Architectural Design	ZL200710200291.9	Invention	2007.3.16	2009.11.11	2027.3.15
U shaped beam for urban rail transit	Company, Nanjing Metro Co. Ltd.	ZL200810304445.3	Invention	2008.9.10	2010.1.27	2028.9.9

Patent	Patentee(s)	Patent No.	Patent Type	Application Date	Grant Date	Expiry Date
One-time Supporting Arch Subsurface Excavation Reversed Construction Method	Company	ZL200810304036.3	Invention	2008.8.19	2010.12.29	2028.8.18
A temporary bridge covered excavation method for constructing box culvert below traffic ground line of operating track	Company	ZL201010181760.9	Invention	2010.5.25	2011.11.9	2030.5.24
A parallel-type ventilation integrated system for fans of urban rail transit	Company	ZL200420087755.1	Practical new technology	2004.8.16	2005.9.14	2014.8.15
An air-water ventilation air-conditioning system for urban rail transit underground stations	Company	ZL200620003696.4	Practical new technology	2006.2.14	2007.2.21	2016.2.13
Cold-water integrated A/C & ventilation system without a cooling tower for urban rail transit underground stations	Company	ZL200620116225.4	Practical new technology	2006.5.26	2007.6.13	2016.5.25
A ventilation air-conditioning system for new and openable screen doors set up in metro stations	Company	ZL200620119482.3	Practical new technology	2006.9.14	2007.10.31	2016.9.13
A ventilation air-conditioning system for new and openable screen doors set up in metro stations	Company	ZL200620119481.9	Practical new technology	2006.9.14	2007.10.31	2016.9.13
Adjustable sound insulation block for U shaped beams used by viaducts of urban rail transit	Company, No. 725 Research Institute of China Shipbuilding Industry Corporation	ZL200820301542.2	Practical new technology	2008.7.18	2009.5.13	2018.7.17
Elastic long sleeper for steel wheel-steel rail transit system	Company	ZL200820301712.7	Practical new technology	2008.8.4	2009.5.20	2018.8.3

Patent	Patentee(s)	Patent No.	Patent Type	Application Date	Grant Date	Expiry Date
Rail damper fixed with fasteners	Company	ZL200820301866.6	Practical new technology	2008.8.19	2009.5.27	2018.8.18
Universal rotation lock-clamping device with steel structure	Beijing Institute of Architectural Design Co., Ltd., Beijing Building Construction Research Institute, Company	ZL200720201246.0	Practical new technology	2007.10.31	2008.9.24	2017.10.30
Universal rotation articulated joint clamping device with steel structure	Beijing Institute of Architectural Design Co., Ltd., Company	ZL200720201248.X	Practical new technology	2007.10.31	2008.9.24	2017.10.30
U shaped beams using three-rail power supply for urban rail transit	Company	ZL200820302070.2	Practical new technology	2008.9.10	2009.6.3	2018.9.9
U shaped beams using overhead line system for power supply for urban rail transit	Company, Nanjing Metro Co. Ltd.	ZL200820302069.X	Practical new technology	2008.9.10	2009.6.3	2018.9.9
Composite insulator for metro	Company, Bazhou Jinyu Plastic Factory (霸州市金雨塑料廠)	ZL201020172730.7	Practical new technology	2010.4.22	2010.11.24	2020.4.21
Shielded frame for metro	Company, Bazhou Jinyu Plastic Factory (霸州市金雨塑料廠)	ZL201020172726.0	Practical new technology	2010.4.22	2010.11.24	2020.4.21
Shearing-force expansion plate for damping steel spring floating track bed	Company, Rail Transit Company, Beijing Municipal Institute of Labour Protection, Beijing Shiji Jingye Noise & Vibration Control Co., Ltd.	ZL201020300937.8	Practical new technology	2010.1.19	2011.1.5	2020.1.18
Shearing-force expansion pin connecting device for damping steel spring floating track bed	Company, Rail Transit Company, Beijing Municipal Institute of Labour Protection, Beijing Shiji Jingye Noise & Vibration Control Co., Ltd.	ZL201020300928.9	Practical new technology	2010.1.19	2010.11.17	2020.1.18

Patent	Patentee(s)	Patent No.	Patent Type	Application Date	Grant Date	Expiry Date
Fixed frame for overhead laying of ductile cast iron pipes	Company	ZL201020276854.X	Practical new technology	2010.7.30	2011.4.13	2020.7.29
Ground-embedded frame	Company, Daqo Group Co., Ltd.	ZL201020645532.8	Practical new technology	2010.12.7	2011.6.22	2020.12.6
Power supply system for embedded contactor rails	Company	ZL201020675663.0	Practical new technology	2010.12.22	2011.8.3	2020.12.21
A type of online switch boxes	Company, Daqo Group Co., Ltd.	ZL201020676377.6	Practical new technology	2010.12.22	2011.8.17	2020.12.21
Natural ventilation and smoke extraction system for interval tunnel of urban rail transit	Company	ZL201120029261.8	Practical new technology	2011.1.28	2011.10.26	2021.1.27
Shield for inequilateral lower-part collection contactor rails	Company	ZL201020640516.X	Practical new technology	2010.12.3	2011.12.21	2020.12.2
water-cooling and direct evaporating combination split-type air conditioner and air conditioning system for urban rail transit	Company, Beijing Beikong Air Conditioner Co., Ltd, Rail Transit Company	ZL201120222217.9	Practical new technology	2011.6.28	2012.2.8	2021.6.27
A type of ordinary, steady and high hydraulic pressure water mist fire suppression systems	Company	ZL201120233188.6	Practical new technology	2011.7.1	2012.2.8	2021.6.30
A type of new composite foundation with short-pile and its construction technology	Exploration Institute	ZL98125248.6	Invention	1998.12.17	2002.8.14	2018.12.16
A type of monitoring systems for civil engineering	Exploration Institute	ZL201020188658.7	Practical new technology	2010.5.7	2011.1.12	2020.5.6
Mountain shaped beams using overhead line system for power supply for urban rail transit	Chongqing Rail Transit (Group) Co., Ltd. Company	ZL201120320709.1	Practical new technology	2011.8.30	2012.8.29	2021.8.29

Patent	Patentee(s)	Patent No.	Patent Type	Application Date	Grant Date	Expiry Date
Mountain shaped beams using three-rail power supply for urban rail transit	Company	ZL201120320725.0	Practical new technology	2011.8.30	2012.8.29	2021.8.29
Segments for excavation and construction of large-diameter shield tunnel in metro stations	Company, Tianjin Municipal Engineering Design & Research Institute, Beijing Municipal Construction Co., Ltd., Rail Transit Company, China University of Mining & Technology, Beijing, Beijing Jiaotong University, Beijing Gangchuang Ruibo Concrete Co., Ltd.	ZL201120386520.2	Practical new technology	2011.10.12	2012.6.20	2021.10.20
Testing device for multi-functional and contactless 13.56MHZ IC card and card reader	Company	ZL201220126845.1	Practical new technology	2012.3.29	2012.10.17	2022.3.28
Overhead guiding-sign cradle for automatic fare collection system used in adjustable rail transit in six directions	Company	ZL201220126568.4	Practical new technology	2012.3.29	2012.10.24	2022.3.28
Detecting device for wheel and axle of U shaped rail	Company, Beijing ANRUNTONG Electronic Technology Development Co., Ltd.	ZL201120107543.5	Practical new technology	2011.4.13	2011.10.26	2021.4.12
A type of fixed support for adjustable pipe used in underground tunnel	Company, Electric Engineering Co., Ltd. of China Railway Shisiju Group Corporation	ZL201220464457.4	Practical new technology	2012.9.12	2013.3.13	2022.9.11
Continuous basin shaped beam for urban rail transit	Company	ZL201110252862.X	Invention	2011.8.30	2013.6.19	2031.8.29
Integrated cooling tower group with equal-depth for all sizes of system	Company, Rail Transit Company	ZL201120230358.5	Practical new technology	2011.6.30	2012.4.18	2021.6.29

Patent	Patentee(s)	Patent No.	Patent Type	Application Date	Grant Date	Expiry Date
Integrated and finned evaporator	Beijing Beikong Air Conditioner Co., Ltd., Rail Transit Company	ZL201120103491.4	Practical new technology	2011.4.11	2011.11.9	2021.4.10
Pressure equalizing pipe for multiple-effect evaporator	Beijing Beikong Air Conditioner Co., Ltd., Rail Transit Company	ZL201120104791.4	Practical new technology	2011.4.11	2011.11.9	2021.4.10
Damping components with limit function for damping steel spring floating track bed	Beijing Municipal Institute of Labour Protection, Rail Transit Company, Beijing Shiji Jingye Noise & Vibration Control Co., Ltd., Company	ZL201020110106.4	Practical new technology	2010.2.5	2010.11.24	2020.2.4
Installation and support of magnetic fixture for splitted shim used in damping spring floating track bed	Beijing Municipal Institute of Labour Protection, Rail Transit Company, Beijing Shiji Jingye Noise & Vibration Control Co., Ltd., Company	ZL201020110146.9	Practical new technology	2010.2.5	2010.11.24	2020.2.4
Resilient base for control of high-frequency failure in vibration isolator of damping spring floating track bed	Beijing Municipal Institute of Labour Protection, Rail Transit Company, Beijing Shiji Jingye Noise & Vibration Control Co., Ltd., Company	ZL201020110185.9	Practical new technology	2010.2.5	2010.11.24	2020.2.4
Jacking oil tank for damping spring floating track bed	Beijing Municipal Institute of Labour Protection, Rail Transit Company, Beijing Shiji Jingye Noise & Vibration Control Co., Ltd., Company	ZL201020110163.2	Practical new technology	2010.2.5	2010.11.24	2020.2.4
Simple detecting device for testing transverse stiffness of isolation spring	Beijing Municipal Institute of Labour Protection, Rail Transit Company, Beijing Shiji Jingye Noise & Vibration Control Co., Ltd., Company	ZL201020115888.0	Practical new technology	2010.2.10	2011.2.16	2020.2.9

As at the Latest Practicable Date, we had the following patent applications in the PRC which are material to our business:

Patent	Applicant(s)	Application No.	Patent Type	Application Date
Joist arching method for constructing ultra-shallow embedded large-span underground excavated subway station in rocky stratum	Company	201210129678.0	Invention	2012.4.27
Smart and integrated warning device based on maintenance and operation platform for trams in local area network	Company	201320558164.7	Practical new technology	2013.9.9
Safety interlocking and anti-misoperation system for maintenance and operation of trams	Company	201320558148.8	Practical new technology	2013.9.9
Bracing device with the use of jacks for operating and bracing in excavation of tunnel	Company	201320689483.1	Practical new technology	2013.11.4
Concrete pouring method for the joints of sidewall, middle plate and crown as a type of excavation reversed methods	Company	201310285001.0	Practical new technology	2013.7.9
A safety protection device for movable and portable electric welding machine	Company	201320402390.6	Practical new technology	2013.7.8
A type of reusable backfill grout injectors	Company	201320404182.X	Invention	2013.7.9

Patent	Applicant(s)	Application No.	Patent Type	Application Date
A type of grout, method of preparing grout, grout injection equipment and its grout injection skill for stabilizing the excavation of tunnel face in sand layer	Company	201310285421.9	Practical new technology	2013.7.10
A type of devices that enhances the construction precision for long and tall pipe sheds	Company	201320404166.0	Practical new technology	2013.7.9
A type of anti-off protection devices for gravity-type hooks	Company	201320402417.1	Practical new technology	2013.7.8
A type of structural systems for excavation of cross nodes of large-scale underground structure	Company	201320404139.3	Practical new technology	2013.7.9
A type of enhancement bracing structure reversing the wall of the shaft for excavation of ingate at the sidewall	Company	201320404148.2	Practical new technology	2013.7.9
A type of enhancement bracing structure for excavation of ingate at the sidewall of the tunnel under the initial bracing condition	Company	201320402418.6	Practical new technology	2013.7.8

Patent	Applicant(s)	Application No.	Patent Type	Application Date
A type of notch-hinge connecting structure between surrounding pole and the arch crown and bottom plate structure in the excavated tunnel	Company	201320402419.0	Practical new technology	2013.7.8
A type of grout and grout injection equipment for stabilizing the excavation of tunnel face in sand layer	Company	201320402416.7	Practical new technology	2013.7.8
Method and device for interior consolidation of engineering survey profile map	Exploration Institute	ZL201110277578.8	Invention	2011.9.19
Method and device for interior work data processing of engineering survey	Exploration Institute	ZL201110277608.5	Invention	2011.9.19
Open cut prefabricated underground structure	Company, Changchun Metro Co., Ltd. Changchun Municipal Rangchong Subway Segment Co., Ltd	201410136710.7	Invention	2014.4.4

As at the Latest Practicable Date, we had been licensed by BUCG and other parties to use the following patents in and outside the PRC pursuant to the Trademark Licence Framework Agreement and Patent Licence Framework Agreement, which are material to our business.

Patent	Patentee(s)	Patent No.	Patent Type	Application Date	Expiry Date
A type of heavy blades for tearing used in shield tunneling machine*	BUCG, Luoyang Jiujiu Technology Development Co., Ltd.	ZL201220293261.3	Practical new technology	2012.6.21	2022.6.20
Portable flatness gauge*	Zhao Suixi (趙遂喜)[note]	ZL201120287305.7	Practical new technology	2011.8.9	2021.8.8
A type of concrete heat preservation covers*	BUCG	ZL201320113698.9	Practical new technology	2013.3.13	2023.3.12
A type of shield cutters used in the enrichment of large-size boulder stratum*	BUCG	ZL201320016794.1	Practical new technology	2013.1.11	2023.1.10
A type of shield cutters used in the enrichment of large-size boulder stratum*	BUCG	ZL201310012048X	Invention	2013.1.11	The substantive examination has become effective
A type of fish-tail cutters for shield tunneling machine*	BUCG, Shandong Techgong Geotechnical Engineering Equipment Co., Ltd.	ZL201210457261.7	Invention	2012.11.15	At publication stage
A type of pre-concrete-cutting blade tools for shield tunneling machine*	BUCG, Shandong Techgong Geotechnical Engineering Equipment Co., Ltd.	ZL201210410081.3	Invention	2012.10.25	The substantive examination has become effective
A type of muck modifiers for guarantee of successful excavation in conglomerate layer with boulder by shield tunneling machine*	BUCG	ZL201310011784.3	Invention	2013.1.11	The substantive examination has become effective

Note: An employee of BUCG.

Patent	Patentee(s)	Patent No.	Patent Type	Application Date	Expiry Date
A type of muck modifiers for guarantee of successful excavation by shield tunneling machine*	BUCG	ZL201310010331.9	Invention	2013.1.11	The substantive examination has become effective
A type of muck modifiers for guarantee of successful excavation in cobbles and boulders by shield tunneling machine*	BUCG	ZL201310011527.X	Invention	2013.1.11	The substantive examination has become effective
A concrete column for adoption of steel box as a permanent template and its construction method	BUCG	ZL2005102007082	Invention	2005.11.17	2025.11.16
Tractor for stranded steel wire	BUCG	ZL2006102013478	Invention	2006.12.20	2026.12.19
A plate for wood-and-steel composite template	BUCG	ZL200420092475X	Practical new technology	2004.9.20	2014.9.19
A bracing frame in the form of bowl-shape-fastener tower within short distance in large space structure	BUCG	ZL2006202007720	Practical new technology	2006.9.13	2016.9.12
ultra-high concrete wall, auxiliary funnel for column concreting	BUCG	ZL2006202008827	Practical new technology	2006.11.2	2016.11.1
Load conversion frame	BUCG	ZL2006202008808	Practical new technology	2006.11.1	2016.10.31
Corrugated pipe dredge	BUCG	ZL2006202010831	Practical new technology	2006.12.20	2016.12.19
Large and steel template	BUCG	ZL 200820301192X	Practical new technology	2008.6.17	2018.6.16
Large and steel rack template against dislocation on slabs and grout leakage	BUCG	ZL 2008203011883	Practical new technology	2008.6.17	2018.6.16
Steel bar connector	BUCG	ZL 2008203011864	Practical new technology	2008.6.17	2018.6.16

Patent	Patentee(s)	Patent No.	Patent Type	Application Date	Expiry Date
Anti-seismic cast steel sliding support	BUCG	ZL12008203011879	Practical new technology	2008.6.17	2018.6.16
Waterproof structure for triple fortification against deformation joints	BUCG	ZL2009203077762	Practical new technology	2009.8.11	2019.8.10
Control device on concrete pouring of ultra-flat floor slabs	BUCG	ZL2010205096883	Practical new technology	2010.8.30	2020.8.29

* In the process of being transferred to our Company.

(c) Domain names

As at the Latest Practicable Date, we had registered the following internet domain names which are material to our business:

Registrant	Domain Name	Date of Registration	Expiry Date
Company	buedri.com	2000.5.31	2018.5.31
Company	Chinametro.net	2003.12.25	2018.12.25
Company	bjucd.com	2013.11.18	2014.11.18
Exploration Institute	cki.com.cn	1999.12.3	2018.12.3
China Metro	cmecc.com	2000.5.31	2023.5.31
China Metro	China-metro.com	2002.5.31	2023.5.31
Huan'an Inspection	bjhuanan.com	2012.8.3	2018.8.3

(d) Computer software copyrights

As at the Latest Practicable Date, we had registered the following copyrights in the PRC:

Name of Software	Owner	Registered Number	Registration Date
Urban Rail Transit Civil Engineering Monitoring and Management Information System V1.0	Exploration Institute	2009SR038946	2009.9.11
Urban Rail Transit Engineering Surveying Auxiliary Design System V1.0	Exploration Institute	2009SR038949	2009.9.11
Metro Construction Automatic Monitoring Data Management Information System V1.0	Exploration Institute	2010SR032150	2010.7.2
Urban Rail Transit Construction Surveying Geographic Information System V1.0	Exploration Institute	2010SR014364	2010.3.31
Urban Rail Transit Construction Surveying Geographic Information System V1.0	Exploration Institute	2010SR014367	2010.3.31
Urban Rail Transit Construction Automatic Monitoring Information System V1.0	Exploration Institute	2010SR014368	2010.3.31
Urban Rail Transit Construction Surveying Management Information System V1.0	Exploration Institute	2010SR014370	2010.3.31
Urban Rail Transit Route Surveying And Drafting Software [abbr: Metro Survey] V1.0	Exploration Institute	2011SR078253	2011.10.28
Optical Levelling PDA Recording Software [abbr: Levelling PDA Recording Software] V1.0	Exploration Institute	2011SR097618	2011.12.19
Urban Rail Transit Route Surveying Data Processing System V1.0	Exploration Institute	2012SR016797	2012.3.5

Name of Software	Owner	Registered Number	Registration Date
Urban Rail Transit Monitoring and Controlling Management System V1.0	Exploration Institute	2013SR017115	2013.2.26
Urban Rail Transit Protected Area Construction Safety Management System V1.0	Exploration Institute	2013SR016935	2013.2.26
Rail Transit Real Estate Register Information Management Platform V1.0	Exploration Institute	2013SR129610	2013.11.20
Urban Rail Transit Safety Risk Monitoring Centre Management Information System	Exploration Institute	2013SR129566	2013.11.20
Urban Rail Traffic Safety Risk Monitoring Center Management Information System	Exploration Institute	2013SR129566	2013.11.20

The above intellectual property rights are broadly used in urban rail transit and the related engineering projects and are important to our business operations. For details of our research and development capability, please refer to "Business — Technology and Research and Development" in this [**REDACTED**].

3 Our Qualifications

As at the Latest Practicable Date, we had the following principal qualifications regarding our business operation in the PRC.

Enterprise Name	Certificate Name	Qualification Description	Certificate No.	Grant Date	Expiry Date
Company	Qualification Certificate of Construction Design	Construction Design Integrated Qualification Grade A; authorised to undertake design business of construction projects in all industries and grades; authorised to engage in general contracting business for construction projects, project management and relevant technologies and management services within scope licensed by the qualification certificate.	A111008645	2013.11.7	2018.1.31
Company	Qualification Certificate of Contracting Overseas Projects	Operation Scope: 1. Contracting foreign engineering projects suitable to its strength, size and performance; 2. Dispatching labourers required to execute overseas projects mentioned above.	1100200400294	2013.11.13	N/A

Enterprise Name	Certificate Name	Qualification Description	Certificate No.	Grant Date	Expiry Date
Company	Grade A Qualification Certificate of Urban and Rural Planning Preparation	(1) Qualification Grade: Grade A; (2) Undertaking Business Scope: subject to no restrictions.	Jiang Cheng Gui Bian No. 131311	2013.12.27	2014.6.30*
Company	Work Safety Permit	Undertaking Business Scope: building construction	(Jing) JZ An Xu Zheng Zi [2014]117750	2014.1.28	2017.1.27
Company	Grade A Qualification Certificate for Engineering Cost Consultancy	Business scope: with no administrative region restrictions, consultancy enterprise of engineering cost engages in cost consultancy activities of project cost in accordance with the law; Grade A consultancy enterprise of engineering cost could engage in consultancy business of engineering cost of various constructing projects.	Jia 120111000285	2013.1.1	2015.12.31
Company	Grade B Certificate of Engineering Survey	Business scope: project surveying, professional level (rock engineering) Grade B	010107-ky	2013.11.6	2016.9.15
Company	Confirmation Letter of Design Documents of Construction Drawings Review Institution	Scope of review: municipal infrastructure projects (limited to rail transit)	01305	2013.1.1	2014.12.31
Company	Qualification Certificate for Engineering Consultancy Enterprise	(1) Grade of qualification: Grade C; (2) Specialty of engineering consultancy: construction; (3) Scope of service: preparing project proposals, preparing feasibility study report for the projects, project application report and fund application report, assessing and consultancy.	Gong Zi Bing 10120070018	2012.8.15	2017.8.14
Company	Qualification Certificate for Engineering Consultancy Enterprise	(1) Grade of qualification: Grade B; (2) Specialty of engineering consultancy: road; (3) Scope of service: preparing project proposals, preparing feasibility study report for the projects, project application report and fund application report.	Gong Zi Yi 10120070018	2012.8.15	2017.8.14

Enterprise Name	Certificate Name	Qualification Description	Certificate No.	Grant Date	Expiry Date
Company	Qualification Certificate for Engineering Consultancy Enterprise	(1) Grade of qualification: Grade A; (2) Specialty and scope of service: ① urban rail transit: planning and consultancy, preparing project proposals, preparing feasibility study report for the projects, project application report and fund application report, assessing and consultancy, project design, engineering project management (whole-process planning and preparation phase management); ② municipal public projects (municipal transit): preparing project proposals, preparing feasibility study report for the projects, project application report and fund application report, project design, planning and consultancy, project design; ③ construction: planning consultancy, project design.	Gong Zi Jia 10120070018	2012.8.15	2017.8.14
Company	Qualification Certificate for Engineering Consultancy Enterprise (qualification of engineering project management)	Specialty: urban rail transit; Grade: A; Category: whole-process planning and preparation phase management (can undertake specific business of whole-process planning and preparation phase)	Gong Zi Jia 10120070018	2012.8.15	2017.8.14
Company	PRC Internet Content Provider ("ICP") License	Type of business: Internet information services; Services: items excluding news, publication, education, medical care, pharmaceuticals and medical equipment; including BBS services Website: www.chinametro.net	Jing ICP Zheng NO.040257	2014.4.11	2019.4.11

Enterprise Name	Certificate Name	Qualification Description	Certificate No.	Grant Date	Expiry Date
Company	Qualification Certificate for Construction Enterprise	Grade A of general contracting housing construction projects: can undertake the following housing construction projects with single construction contract sum not more than five times of the registered capital of the enterprise: (1) various spanning housing projects of 40 storeys or less; (2) construction with a height of 240 metres or less; (3) residence or building complex with a construction area of 200,000 square metres or less. Grade A of general contracting for municipal public construction projects: can undertake various municipal public construction projects with single contract sum not more than five times of the registered capital of the enterprise. Qualification of contracting in urban rail transit construction speciality: can undertake the rail transit engineering construction such as urban metro, light rail, etc.	A1014011010276	2013.11.7	N/A
Exploration Institute	Certificate of Qualification Certification and Accreditation	The data and results prepared by Exploration Institute can be presented to the society as proof.	2012010366G	2012.12.11	2015.12.11
Exploration Institute	Grade A Certificate of Project Survey	Grade A integrated project survey	010113-kj	2002.7.17	N/A
Exploration Institute	Qualification Certificate of Survey and Mapping	Project surveying: control, landform, municipal project, line project, deformation (sediment) observation, reshape, precision engineering, tunnel, construction engineering, final survey.	Jia Ce Zi Zi 11002053	2011.1.10	2014.12.31
Exploration Institute	Qualification Certificate of Survey and Mapping	Cadastral surveying and mapping; real estate surveying and mapping	Yi Ce Zi Zi 11018005	2010.11.11	2014.12.31

Enterprise Name	Certificate Name	Qualification Description	Certificate No.	Grant Date	Expiry Date
Exploration Institute	Qualification Certificate of Survey and Mapping	Business scope: Grade B: geographic information system engineering: photogrammetric data processing, space remote sensing geographic information data processing, site collected geographic information data processing, map digitizing, building database, building professional geographic information system, site geographic information data collection.	Yi Ce Zi Zi 11018016	2012.8.28	2014.12.31
Exploration Institute	Qualification Grade Certificate of Surveying Enterprise	Grade A Surveying firm of geological disaster control projects	Guo Tu Zi Di Zai Kan Zi Zi No. (2011201002)	2014.4.14	2017.4.13
Exploration Institute	Qualification Grade Certificate of Designing Enterprise	Grade A designing firm of geological disaster control projects	Guo Tu Zi Di Zai She Zi Zi No. (2011301001)	2014.4.14	2017.4.13
Exploration Institute	Qualification Grade Certificate of Construction Enterprise	Grade A constructing firm of geological disaster control projects	Guo Tu Zi Di Zai Shi Zi Zi No. (2011401002)	2014.4.14	2017.4.13
Exploration Institute	Grade A Qualification Certificate of Engineering Consultancy Enterprise	Specialty: hydrogeology, engineering surveying, geotechnical engineering scope of service: preparing project proposals, preparing project feasibility study report, project design	Gong Zi Jia 10120070026	2012.8.15	2017.8.14
Exploration Institute	First Level of Ground and Foundation Engineering Professional Contracting	Scope of contracting project: first level of ground and foundation engineering professional contracting: can undertake the construction of various ground and foundation engineering.	B1014011010503	2013.3.18	N/A
Exploration Institute	Qualification Grade Certificate of Assessment Enterprise	Grade A geological calamity jeopardy assessment firm	Guo Tu Zi Di Zai Ping Zi Zi No. (2008011001)	2014.4.14	2017.4.13
Exploration Institute	Confirmation Letter for Design Documents of Construction Drawings Review Institution	Surveying (construction project, municipal infrastructure project)	1205	2013.1.1	2014.12.31
Exploration Institute	Work Safety Permit	Scope of license: building construction	(Jing) JZ An Xu Zheng Zi [2013]220116	2013.11.15	2016.11.24
Exploration Institute	Qualification Certificate of Contracting Overseas Projects	Business scope: to contract foreign engineering projects with consideration of its capacity, scale and results, and dispatch workers abroad required in the above foreign projects.	1100201200012	2013.11.12	N/A
Exploration Institute	Qualification Certificate of Geological Survey	Regional geological survey: Grade B; Hydrogeology, engineering and environmental geological survey: Grade B	11201311500017	2013.7.9	2018.7.8

Enterprise Name	Certificate Name	Qualification Description	Certificate No.	Grant Date	Expiry Date
Huan'an Inspection	Certificate of Qualification Certification and Accreditation	To present to the society the data and results that can serve as proof.	2011010404R	2011.7.1	2014.7.1*
Huan'an Inspection	Qualification Certificate for Construction Engineering Quality Control Organisation	Scope of test: special test	(Jing) Jian Jian Zi No. Z076	2011.11.25	2014.11.24
China Metro	Qualification Certificate for Engineering Consultancy Enterprise	Grade of qualification: Grade A; Specialty and scope of service: (1) urban rail transit: planning and consultancy, preparation of project proposals, preparation of project feasibility study report and assessment and consultancy; (2) municipal public projects (municipal transit): planning and consultancy.	Gong Zi Jia 10120070017	2009.8.12	2014.8.11*
China Metro	Qualification Certificate for Engineering Consultancy Enterprise	Grade of qualification: Grade C; Specialty: municipal public projects (municipal transit); Scope of service: preparation of project proposals, preparation of project feasibility study report, project application report, fund application report and assessment and consultancy.	Gong Zi Bing 10120070017	2009.8.12	2014.8.11*
Xinjie Consulting	Review Permit for Design Documents of Construction Drawings	Scope of review: municipal engineering projects (limited to rail transit)	01303	2013.1.1	2014.12.31
Xinjie Consulting	Qualification Certificate for Engineering Consultancy Enterprise	Qualification Grade: Grade C; Specialty: urban rail transit; Scope of service: planning consultancy, preparation of project proposals, preparation of project feasibility study report, project application report, fund application report, assessment consultancy and engineering project management (whole-process Planning).	Gong Zi Bing 10120120002	2012.8.15	2017.8.14
Xinjie Consulting	Qualification Certificate for Engineering Consultancy Enterprise	Qualification Grade: Grade C; Specialty: urban rail transit; Scope of service: whole-process; planning (excluding specific services in preparation phase and implementation phase).	Gong Zi Bing 10120120002	2012.8.15	2017.8.14

* Each of the Company, Huan'an Inspection and China Metro is in the process of renewing the relevant professional qualifications.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS, CHIEF EXECUTIVE, SUPERVISORS AND SUBSTANTIAL SHAREHOLDERS

1 Disclosure of Interest of the Directors, Chief Executive and Supervisors

Immediately following the completion of the [**REDACTED**] (assuming that the Over-allotment Option is not exercised), none of our Directors, chief executive or Supervisors will have any interest and/or short positions in our Shares, underlying Shares and debentures of our Company and its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to our Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Hong Kong Listing Rules.

2 Service Contracts

Pursuant to Rules 19A.54 and 19A.55 of the Hong Kong Listing Rules, we have entered into a contract with each of our Directors and Supervisors in respect of, among other things, compliance of relevant laws and regulations, observance of the Articles of Association and provisions on arbitration.

Save as disclosed above, we have not entered, and do not propose to enter, into any service contracts with any of our Directors or Supervisors in their respective capacities as Directors/Supervisors (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

3 Directors' and Supervisors' Remuneration

The aggregate amounts of remuneration paid and benefits in kind granted to the Directors and Supervisors in respect of the financial years ended 31 December 2011, 2012 and 2013 were RMB4.53 million, RMB4.44 million and RMB4.15 million, respectively. Save as disclosed in "Directors, Supervisors, Senior Management and Employees" in this [**REDACTED**] and under Note 9 to the financial information in the Accountants' Report set out in Appendix I to this [**REDACTED**], no Director or Supervisor received other remuneration or benefits in kind from our Company in respect of the three financial years ended 31 December 2013.

Under the current arrangements, it is expected that our Directors and Supervisors would receive compensation (consisting of remuneration and benefits in kind) from our Company for the year ending 31 December 2014 in the aggregate amount of approximately RMB2.01 million and RMB3.10 million, respectively.

4 Substantial Shareholders

So far as our Directors are aware, immediately following the completion of the [**REDACTED**] (assuming that the Over-allotment Option is not exercised), the following person will have interests or short positions in our Shares or underlying Shares which would fall to be disclosed to our Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of our share capital carrying voting power at general meetings:

			Immediately prior to the [REDACTED]		Immediately after completion of the [REDACTED] (assuming the Over-allotment Option is not exercised)			Immediately after completion of the [REDACTED] (assuming the Over-allotment Option is fully exercised)		
Shareholder	Nature of interest	Class	Number of Shares held	Approximate percentage of shareholding in the total Share capital of the Company	Number of Shares held	Approximate percentage of shareholding in the relevant class of Shares(1)	Approximate percentage of shareholding in the total Share capital of the Company(2)	Number of Shares held	Approximate percentage of shareholding in the relevant class of Shares(3)	Approximate percentage of shareholding in the total Share capital of the Company(4)
BUCG	Beneficial owner	Domestic Shares	598,000,000	65%	[REDACTED]					
BII	Beneficial owner	Domestic Shares	92,000,000	10%	[REDACTED]					

Notes:

(1) The calculation is based on the percentage of shareholding in the Domestic Shares after the [**REDACTED**] (assuming the Over-allotment Option is not exercised).

(2) The calculation is based on the total number of [**REDACTED**] Shares in issue immediately after the [**REDACTED**] (assuming the Over-allotment Option is not exercised).

(3) The calculation is based on the percentage of shareholding in the Domestic Shares after the [**REDACTED**] (assuming the Over-allotment Option is fully exercised).

(4) The calculation is based on the total number of [**REDACTED**] Shares in issue immediately after the [**REDACTED**] (assuming the Over-allotment Option is fully exercised).

[**REDACTED**]

5 Personal Guarantees

The Directors and Supervisors have not provided personal guarantees in favour of lenders in connection with banking facilities granted to us.

6 Agency Fees or Commissions Paid or Payable

Save as disclosed in "Underwriting" in this [**REDACTED**], no commissions, discounts, agency fees, brokerages or other special terms have been paid in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries within the two years preceding the date of this [**REDACTED**].

7 Related Party Transactions

During the two years preceding the date of the [**REDACTED**], we have engaged in material related party transactions as described in Note 36 to the Accountants' Report set out in Appendix I to this [**REDACTED**].

8 Disclaimers

Save as disclosed in this [**REDACTED**]

(a) none of our Directors or Supervisors and any of the parties listed in the paragraph headed "Qualification of Experts" of this Appendix:

  (i) is interested in our promotion, or in any assets which, within the two years immediately preceding the date of this [**REDACTED**], have been acquired or disposed of by or leased to us, or are proposed to be acquired or disposed of by or leased to our Company;

  (ii) is materially interested in any contract or arrangement subsisting at the date of this [**REDACTED**] which is significant in relation to our business;

(b) none of the parties listed in the paragraph headed "Qualification of Experts" of this Appendix:

  (i) is interested legally or beneficially in any of our Shares or any shares in any of our subsidiaries; or

  (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for our Shares or any of our securities;

(c) as at the Latest Practicable Date, none of the Directors, Supervisors, their respective associates, or any of the Shareholders (who to the knowledge of the Directors owns more than 5% of our issued share capital), had any interest in any of our five largest suppliers and five largest clients;

(d) so far as is known to any Directors or Supervisors of our Company, none of our Directors or Supervisors is a director or employee of a company that has an interest in the share capital of our Company which, once the H Shares are listed on the Hong Kong Stock Exchange, would have to be disclosed pursuant to Divisions 2 and 3 of Part XV of the SFO, or is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any of our subsidiaries; and

(e) none of our Directors is interested in any business apart from the Company's business which competes or is likely to compete, directly or indirectly, with the business of the Company and is required to be disclosed pursuant to the Hong Kong Listing Rules.

D. OTHER INFORMATION

1 Taxation on Holders of Shares

(a) Hong Kong estate duty

The Directors have been advised that currently there is no material liability for estate duty is likely to fall upon our Company or any of our subsidiaries.

(b) Consulting with professional advisors

Intending holders of the H Shares are recommended to consult their professional advisors if they are in doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in the H Shares or exercising rights attaching to them. It is emphasised that none of our Company, the Directors or the other parties involved in the [**REDACTED**] can accept responsibility for any tax effect on, or liabilities of, holders of H Shares resulting from their subscription for, purchase, holding or disposal of or dealing in H Shares or exercise of any rights attaching to them.

2 Litigation

As at the Latest Practicable Date, save as disclosed in this [**REDACTED**], our Company is not involved in any litigation, arbitration or administrative proceedings of material importance which could have a material adverse effect on our financial condition or results of operations, and, so far as we are aware, no litigation, arbitration or administrative proceedings of material importance is pending or threatened against us.

3 Joint Sponsors

The Joint Sponsors have made an application on our behalf to the Listing Committee for the listing of, and permission to deal in, on the Main Board of the Hong Kong Stock Exchange, our H Shares to be issued in the [**REDACTED**] and any H Shares which may be issued pursuant to the exercise of the Over-allotment Option and any H Shares to be converted from State-owned Shares pursuant to the relevant PRC regulations relating to reduction of State-owned Shares. All necessary arrangements have been made to enable the securities to be admitted into CCASS for clearing and settlement.

Each of UBS Securities Hong Kong Limited and CITIC Securities Corporate Finance (HK) Limited satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Hong Kong Listing Rules.

We have entered into an engagement agreement with each of the Joint Sponsors, pursuant to which we agreed to pay an aggregate amount of US$1.5 million to the Joint Sponsors to act as the sponsors to our Company in the [**REDACTED**].

4 Preliminary Expenses

The estimated preliminary expenses incurred by our Company were approximately RMB3,755,000 and are payable by our Company.

5 Qualification of Experts

The qualifications of the experts who have given opinions in this [**REDACTED**] are as follow:

Name	Qualification
UBS Securities Hong Kong Limited	Licensed to conduct Type 1 (dealing in securities), Type 6 (advising on corporate finance) and Type 7 (providing automated trading services) regulated activities under the SFO
CITIC Securities Corporate Finance (HK) Limited	Licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Ernst & Young	Certified public accountants
Haiwen & Partners	Registered law firm in the PRC
CCID Consulting	Industry consultant

6 Consents of Experts

Each of the experts as referred to in the paragraph headed "Qualification of Experts" in this Appendix has given and has not withdrawn their respective written consents to the issue of this [**REDACTED**] with the inclusion of their reports and/or letters and/or the references to their names included herein in the form and context in which they are respectively included.

Neither of the experts named above has any shareholding interests in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

7 Compliance Advisor

We have appointed First Shanghai Capital Limited as our compliance advisor upon the H Share Listing in compliance with Rule 3A.19 of the Hong Kong Listing Rules.

8 No Material Adverse Change

The Directors confirm that, up to the date of this [**REDACTED**], there has been no material adverse change in our financial or trading position since 31 December 2013 (being the date to which our latest combined financial results were prepared, as set out in the Accountants' Report in Appendix I to this [**REDACTED**]).

9 Binding Effect

This [**REDACTED**] shall have the effect, if any application is made pursuant hereto, of rendering all persons concerned bound by all the provisions (other than the penal provision) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

10 Miscellaneous

Save as disclosed in this [**REDACTED**]

(a) within the two years preceding the date of this [**REDACTED**] (i) we have not issued nor agreed to issue any share or loan capital fully or partly paid either for cash or for a consideration other than cash, and (ii) no commissions, discounts, brokerage fee or other special terms have been granted in connection with the issue or sale of any Shares of our Company;

(b) no Share or loan capital of our Company is under option or is agreed conditionally or unconditionally to be put under option;

(c) we have not issued nor agreed to issue any founder share, management shares or deferred shares;

(d) none of our subsidiaries has issued or agreed to issue any debentures;

(e) we have no outstanding convertible debt securities or debentures;

(f) there are no arrangements under which future dividends are waived or agreed to be waived;

(g) there have been no interruptions in our business which may have or have had a significant effect on our financial position in the last 12 months;

(h) no part of the equity or debt securities of our Company, if any, is currently listed on or dealt in on any stock exchange or trading system, and no such listing or permission to list on any stock exchange other than the Hong Kong Stock Exchange is currently being or agreed to be sought; and

(i) we currently do not intend to apply for the status of a Sino-foreign investment joint stock limited company and do not expect to be subject to the Sino-foreign Joint Venture Law of the PRC (《中華人民共和國中外合資經營企業法》).

11 Bilingual [REDACTED]

The English language and Chinese language versions of this [**REDACTED**] are being published separately, in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and [**REDACTED**] from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

12 Promoters

The promoters are BUCG, BII, Beijing Jingguofa Equity Investment Fund (Limited Partnership), Rail Transit Company, Gonglian Company, Tianjin Jun Rui Qi Equity Investment Partnership (LLP), Zhongtai Investment and Beijing You Neng Shang Zhuo Venture Capital Fund (LLP).

Save as disclosed in this [**REDACTED**], within the two years immediately preceding the date of this [**REDACTED**], no cash, securities, amount or other benefit has been paid, allotted or given, or has been proposed to be paid, allotted or given, to any of the promoters named above in connection with the [**REDACTED**] or the related transactions described in this [**REDACTED**].

13 Particulars of the Selling Shareholders

An aggregate of [**REDACTED**] Sale Shares to be sold by the Selling Shareholders (assuming the Over-allotment Option is not exercised). Assuming full exercise of the Over-allotment Option, the aggregate number of Sale Shares to be sold by the Selling Shareholders shall be [**REDACTED**]. Please refer to "Information about This Prospectus and the Global Offering — Selling Shareholders" for details of the number of Sale Shares to be sold by each Selling Shareholder. Certain particulars of the Selling Shareholders are set forth as follow:

- BUCG, our Controlling Shareholder, a company incorporated in the PRC whose registered office is No. 18 North Taipingzhuang Road, Haidian District, Beijing. Please refer to "Relationship with BUCG and Rail Transit Design Institute" for more details.

- BII, one of the Strategic Investors, a company incorporated in the PRC whose registered office is Room 908, Floor 9, Jingtou Building 2, Xiaoying North Road No. 6, Chaoyang District, Beijing. Please refer to "History, Reorganisation and Corporate Structure — Information of Strategic Investors" for more details.

- Rail Transit Company, one of the Strategic Investors, a company incorporated in the PRC whose registered office is Jia No. 2, Baiwanzhuang Avenue, Xicheng District, Beijing. Please refer to "History, Reorganisation and Corporate Structure — Information of Strategic Investors" for more details.

- Gonglian Company, one of the Strategic Investors, a company incorporated in the PRC whose registered office is No. 1 Jiuxianqiao, Chaoyang District, Beijing. Please refer to "History, Reorganisation and Corporate Structure — Information of Strategic Investors" for more details.

DOCUMENTS DELIVERED TO THE COMPANIES REGISTRY

The documents attached to a copy of this [**REDACTED**] and delivered to the Registrar of Companies in Hong Kong for registration were:

(a) a copy of each of the **WHITE**, **YELLOW** and **GREEN** Application Forms;

(b) the written consents referred to in the paragraph headed "Appendix VI — Other Information — Consents of Experts" to this [**REDACTED**];

(c) a copy of each of the material contracts referred to in "Appendix VI — Further Information about Our Business — Summary of Material Contracts" to this [**REDACTED**]; and

(d) the name, description and address of each Selling Shareholder.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Linklaters at 10th Floor, Alexandra House, 18 Chater Road, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this [**REDACTED**]

(a) the Articles of Association;

(b) the accountants' report prepared by Ernst & Young, the text of which is set out in Appendix I to this [**REDACTED**];

(c) the audited consolidated financial statements of the Group for the two years ended 31 December 2012 and 2013;

(d) the report in relation to unaudited pro forma financial information, the text of which is set out in Appendix II to this [**REDACTED**];

(e) the material contracts referred to in the section entitled "Appendix VI — Further Information about Our Business — Summary of Material Contracts" to this [**REDACTED**];

(f) the written consents referred to in the section entitled "Appendix VI — Other Information — Consents of Experts" to this [**REDACTED**];

(g) the PRC legal opinion issued by Haiwen & Partners, the legal advisors to the Company on PRC law, confirming that in its opinion, the summary of relevant PRC laws and principal regulatory provisions set out in Appendix IV to this [**REDACTED**] is a correct summary of the relevant PRC laws and regulatory provisions; and

(h) the Company Law, the Mandatory Provisions and the Special Regulations together with their unofficial translations.